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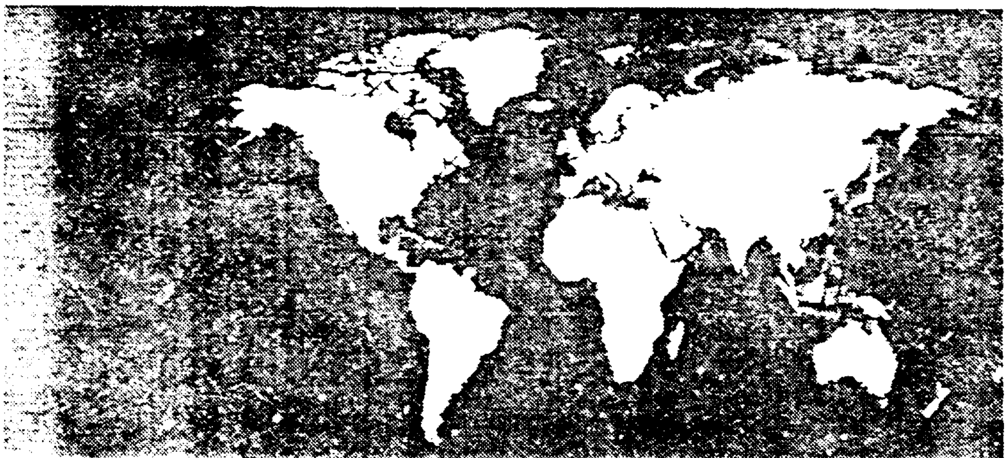

Background Paper

The impact of the Uruguay Round Agreements on manufactured products of the African, Caribbean and Pacific Group

Prepared by

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UNITED NATIONS INDUSTRIAL DEVELOPMENT ORGANIZATION

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Contents

List of abbreviations

ACP:	African, Caribbean and Pacific (States); the developing country signatories of successive Lomé Conventions
CAP:	Common Agricultural Policy of the European Union
CARIBCAN:	Canada's Preferential Trade Scheme for the Commonwealth Caribbean
CBERA	Caribbean Basin Economic Recovery Act
CBI	Caribbean Basin Initiatives
CDI:	Centre for the Development of Industry (an EU-ACP institution)
CET:	common external tariff
EDF:	European Development Fund (the development agency of the EU)
EIB:	European Investment Bank (the development bank of the EU)
EU:	European Union
FTA:	free trade area
GATT:	General Agreement on Tariffs and Trade
GSP:	Generalized System of Preferences
LDC:	least developed country (a list of LDCs is defined by the UN)
MFA:	MultiFibre Arrangement (for management of trade in textile
NAFTA:	North American Free Trade Agreement
NTB:	non-tariff barrier
OECD:	Organization for Economic Cooperation and Development
STABEX:	System for the Stabilisation of Export Earnings (for the ACP States under the Lomé conventions)
UR:	Uruguay Round of Multilateral Trade Negotiations
US:	United States of America
WTO:	World Trade Organisation (successor body to GATT)

INTRODUCTION

By Hewitt, A.P, Koning, A. and Davenport, M.*

The main focus of this paper is the trade relationship between the group of seventy African, Caribbean and Pacific (ACP) countries and the European Union (EU), which offers the ACP countries preferential access to its market. We concentrate on the opportunities this special relationship provides for manufactured exports from the ACP. The ACP Group has a high concentration, by number of states, of the world's poorest countries.

In section two an attempt has been made to analyse the benefits of Lomé preferences for ACP manufactured exports, including an overview of those exports that have been able to develop over the years thanks to the Convention.

The third part of this paper addresses the effects of the Uruguay Round on ACP exports of manufactured products, concentrating on the impact of preference erosion and the phasing-out of the Multifibre Arrangement.

The last part of this paper deals with some of the pressing issues of restoring ACP competitiveness in the new international trading environment. We present a strategy for ACP countries to improve their position in the EU and other world markets, by using their existing preferences and benefiting from adaptations following the mid-term review of the fourth Lomé Convention. We also look beyond Lomé preferences to see how the ACP might be able to strengthen their position in other markets and overcome restrictions to the development of ACP trade in general. This includes a strategy for individual ACP exporters of manufactured products to facilitate their attempts to minimise the losses from the Uruguay Round and exploit the benefits of further global liberalisation.

Our conclusion will shed some light on the compliance of Lomé preferences with the GATT/WTO trading regime and suggests possible scenarios for the future of Lomé preferences for manufactured products with the post Lomé IV era in mind.

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1. Europe's preferred trading partners: the ACP

The Lomé Convention commits the EU and the ACP states to promote and diversify ACP exports to the EU to decrease ACP dependency on primary exports (Art. 70). In order to facilitate this the EU has granted non-reciprocal preferences to ACP exports since the creation of the European Economic Community (under the Yaoundé Conventions and four succeeding Lomé Conventions). Approximately 97% of current ACP exports to the European Union is claimed enter the market without being restricted by any duty or non-tariff barrier.

The trade preferences are intended to give the ACP states an advantage over industrialized and other developing country exporters to the EU. Traditionally, they have been seen as a mechanism to give an initial boost to industrialization or to be, at least, an incentive for further processing of primary products, which would reduce ACP reliance on resource-based products. Preferences have been seen as a spur to investment in new export sectors and a generator of employment opportunities.

Duty-free access is guaranteed for exports of manufactured products originating in ACP states and for a large part of their agricultural exports. Preferences for the latter are in the form of concessions on duties and levies imposed on imports as a result of the EU's Common Agricultural Policy, and, of more significance to the ACP, the guaranteed access given to quantities of specific commodities under its Protocols for sugar, rum, bananas, beef and veal exports to the EU. In general ACP preference margins are higher for processed or manufactured exports due to the EU tariff classification system, which imposes higher tariffs on products which have a higher value-added.

The five-year duration of the Lomé trade preference guarantees (nominally ten years under Lomé IV although in fact there was a fundamental review after five) is unusually favourable given that most (generalised) preference schemes require legislative approval by the preference-donor annually, and can be withdrawn element-by-element at short notice.

1.1 Free access for manufactured exports and rules of origin

Manufactured exports from ACP countries enter the EU free of tariff or quantitative restrictions. This provision includes a valuable exemption from the quota restrictions of the Multifibre Arrangement for textiles and clothing. However, the free access is granted on the condition that the exports meet the, often complex, rules of origin requirements. The general requirement is that ACP exports must be 'originating' in the ACP to benefit from freedom from tariffs. levies or similar barriers. Origination normally requires a 'substantial transformation', that is a shift of heading in the four-digit Harmonised Coding System. But this is not always sufficient. For instance 'simple assembly of parts and articles to constitute a complete article' will not do, regardless of any coding shift. Manufacture of textiles and clothing must generally start from the yarn. There is a general value-added criterion specifying the maximum share of non-originating materials, which has been 10 per cent (of the ex-works price supplemented by further conditions on the share of particular non-originating materials).

Cumulation of inputs from ACP countries or from EU Member States is allowed. This means that an ACP state can import parts and raw materials from other ACP countries or the EU to use them for production and still meet the criteria of the Rules of Origin.

Under the Convention, appeals can be made for derogations from the Rules of Origin. These derogations last five years, and the derogations may be renewed for a further 5-year period. However, it has been argued that the extensions of such derogations (e.g. in the case of clothing for Mauritius and Fiji) are not predictable and discourage planning and investment in potential export sectors. New time limits have been established for reaching derogation decisions, of three to six months, but there appear to be doubts about whether these are being respected. In any event, delays are not the only problem – uncertainties about the process, the sort of evidence required, the lack of clear and authoritative information, and the inquisitorial visits by EU inspectors to factories in the ACP States serve to discourage pursuit of derogations.

1.2 EU Preferential treatment of other developing countries and non-EU preferential schemes benefiting ACP exports

It should be emphasised that the relative advantage of the ACP countries over other developing country exporters of manufactured products is not that great as they also have been granted duty-free access to the EU market in the course of the last decades under the Generalised System of Preferences of the Union. Although the Convention requires that the ACP are not granted less favourable treatment than other non-Lomé countries (i.e. the ACP are nominally at the top of the hierarchy of preferences), in recent years the European Union has extended its preferences to countries in Eastern Europe and the Former Soviet Union and other developing countries, partly by enhancing the benefits to some selected beneficiaries of the GSP and granting improved market access to a wider range of exports. The rules of origin requirements however are more strict under the EU GSP and cumulation possibilities are limited.

ACP countries also benefit from GSP schemes that exist outside the EU notably in the US and Japan, though they are generally less favourable than the Lomé preferences in terms of coverage of products, rules of origin (eg there are no cumulation opportunities) and limitation on quantity of some exports. In particular preferences on textiles and clothing are limited under these schemes. In addition, GSP schemes are time-limited and therefore are not likely to be a great incentive to investment.

The Caribbean ACP countries further benefit from the US Caribbean Basin Initiative (CBI) and CARIBCAN in Canada (Davenport, 1995). Under the Caribbean Basin Economic Recovery Act (CBERA) of 1990, which extended the original 1983 Act, Caribbean ACP countries enjoy tariff- and quota-free access to the US market for all goods, subject to a short but critical list of exceptions. These exceptions include most textiles and apparel, some leather goods including footwear, petroleum and petroleum products, canned tuna and certain agricultural products. Tariffs on handbags, luggage and most leather goods other than footwear were reduced by 20 percent in five equal annual stages beginning in January 1992. Ethanol and ethyl alcohol, sugars, syrups, molasses and beef and veal are eligible for duty-free entry only if the exporting country has submitted an acceptable 'stable food production plan'. Sugar exports are subject to US quotas which vary from year to year.

Exports benefiting from CBI access are subject to rules of origin, which basically require that 35 percent of value added be contributed by the country in question, though this may be cumulated over CBI countries and up to 15 percent may take the form of imports from the United States and that a 'substantial' transformation takes place in the CBI country.

The CBI is more advantageous than the GSP scheme offered by the US because it is not time-limited and more relaxed in terms of rules of origin. Although textiles and clothing items are not included in the CBI, they enjoy special treatment in the US market under regulation 9802-00-60 and 9802-00-80 (previously 806.30 and 807A). Under these tariff heads, metal articles made of US metals and articles of apparel which have been made out of textiles formed and woven in the United States are subject to duty only on the value added outside the US. Only in the case of apparel is this derogation used substantially and, in that sector, it is of strategic significance for Jamaica though Trinidad and Tobago also has a Guaranteed Access Level agreement with the US.

Under CARIBCAN the Caribbean countries enjoy tariff- and quota-free entry to the Canadian market for most manufactured exports. The exceptions to this rule are similar to those that hold for the CBI.

2. ACP exports of manufactured products to the EU

This section describes an analysis of the performance of ACP exports of processed goods on the EU market, relating it as far as possible to preferences available to ACP products. It is important to note how narrow and shallow are the exports of manufactured goods by the ACP countries. Although the ACP comprise half the world's developing countries, their performance in terms of export volume and market share is rather insignificant (see Table 2.1). Whether this is attributable to their low level of industrialisation, their lack of export orientation or to the inappropriateness of the preferences accorded, their current position does affect any exercise attempting to judge their future manufacturing export potential or to forecast the repercussions of a change of trade policy such as the implications of the Uruguay Round settlement on their manufacturing sectors. Once processed products are added to the narrower category of finished goods, there emerges a broader picture both of the ACP's potential in the area of trade and of the likely repercussions of the trade policy changes. We have used both an aggregative and a more micro approach. To a large extent, the analysis in both cases meets the same range of conceptual and data problems.

2.1 Conceptual and statistical problems

There is no universally accepted definition of a processed good. In this section we have excluded products where the degree of processing is limited to the simplest operations, such as rough-sawing wood, packaging naturally-occurring chemicals or fertilisers, roasting coffee beans or freezing or salting fish. Of course, the criteria are arbitrary. Canning fish, sawing wood into panels or shaped rods and making sausages are considered processing activities for our purposes. To some extent the decisions depend on the discriminations within the CN (Common Nomenclature) statistical base.

However the statistical bases used created a related but more technical problem. The EU trade statistics are now based on the CN system, which is itself a version - in some respects more detailed - of the internationally-agreed Harmonised System. EU trade data for years prior to 1988 are only available in the old NIMEXE nomenclature. In some areas, there is no one-to-one correspondence between the two systems, especially at the most disaggregated available level. This sometimes means that, if pre-1988 data is to be used, a reasonable distinction between crude and processed goods is not possible. For example, this is the case in wood. The CN system allows a plausible demarcation point - all four-digit groups above 4408 (veneer sheets etc.) can be considered processed. But it is not possible to convert this criterion into the NIMEXE system, which was based on species rather than processing distinctions. As a result we have had to limit our analysis of processed wood to the 1988-92 period. In other areas, the problem is less serious. It merely implies that one has to work at a less disaggregated level. For example, few valid subcategories of clothing under the two-digit level, except for the crude split between knitted/crocheted and not knitted/crocheted, can be constructed from the two data sets.

Another conceptual issue is the growing size of the ACP group of countries. In 1975 the first Lomé Convention was signed there were 45 ACP states (see Annex 1). Five years later the second Lomé Convention saw 58 ACP signatories. The third Convention was signed in 1984 by 65 states, though Angola joined soon after to make 66. With the addition of the Dominican Republic, Haiti, Namibia and Eritrea the present number is 70. Clearly any measure of the performance such as market share of ACP states per se will be greatly affected by the increasing membership. We have taken the export performance of the 66 Lomé IV signatories throughout. It is probably too early for the Lomé trade preferences to have had much of an impact on the four newest members. On the other hand, while 21 of our group were not members at the signing of the first Convention in 1974, many of these enjoyed similar if less extensive trade access preferences as ex-OCTs (overseas countries and territories). Even the most recent members of the group of 66 Lomé States used in our calculations have now enjoyed all the special access preferences since 1984 and the benefits of those preferences should now be apparent.

2.2 Analysis of ACP exports by broad category

Table 2.1 shows the relative performance on the EU market of ACP and non-ACP developing country exports by broad category of processed goods. Processed goods, by our definition only represented 5 percent of EU imports from the ACP in 1993. If anything, the performance of processed exports has been somewhat worse than that of ACP export as a whole.

The ACP countries have achieved a 4.4 percent growth in exports of processed products to the European Union over the period, 1976 to 1993. Over that period processed exports of non-ACP developing countries to the EU market grew by 13 percent. The discrepancy in performance is greater for processed goods than for total exports. In the latter case the average rate of growth on non-ACP exports was only double that of ACP exports.

In 1976 the ACP countries had a total share of EU imports (excluding intra-EU trade) of 2.6 percent of processed products. This had fallen to 1.1 percent in 1993. All imports, processed and non-processed, from the ACP group commanded a 6.7 percent market share in 1976 but only 3.1 percent in 1993.

Among the different product groups, the ACP states have been successful in gaining market share in processed foods and drinks - largely, as we shall see, through increased exports of rum - but in other groups they have lost market share, most particularly in metals and metal products. In that group, even in nominal terms , the rate of growth of exports to the EU has fallen dramatically in recent years. Partly that fall may be the inevitable result of the downward trend in most metal prices. On the other hand the non-ACP exporting countries suffered a much smaller fall in nominal exports over the 1988 to 1993 period. Any conjectures about the role - or lack of role - of tariff and other trading preferences will be deferred until after discussion of the second part of the analysis which investigates export performance at a more detailed level.

2.3 The micro-economic approach: individual exports of manufactures

Because of the substantial difference in margins of preference within the broad categories of processed goods, little valid inference about the role of preferences can be derived without more disaggregation, both with respect to products and to individual exporting countries.

Table 2.1: Growth rates of EU imports from ACP and other developing countries and shares of total EU imports, selected years, per cent

	Share in impts from ACP	Annual average growth in EU imports							
		1976-82		1982-88		1988-93		1976-93	
	1993	ACP	other DCs	ACP	other DCs	ACP	other DCs	ACP	other DCS
Processed food/drink	3.1	12.0	12.1	6.4	8.5	5.1	1.9	9.0	9.0
Chemicals, plastics pdts.	0.8	0.3	16.4	6.4	22.7	2.0	4.5	3.3	17.3
Textile ptds., footwear	6.8	4.3	10.8	17.7	10.8	2.3	6.4	9.4	11.3
Other manufactures	3.5	3.2	10.1	4.9	12.6	-19.0	-1.1	-3.8	8.5
Total processed	4.2	19.0	19.4	32.7	13.3	-3.6	8.9	28.6	16.8
Total, all goods	18.4	5.0	13.6	11.1	12.5	-5.4	6.2	4.4	13.0
	100.0	10.0	10.1	0.8	0.4	-3.6	4.6	3.0	6.0
		Shares of EU imports							
		1976		1982		1988		1993	
		ACP	Other DCS	ACP	Other DCs	ACP	Other DCs	ACP	Other DCs
Processed food/drink		6.2	31.4	7.6	38.7	8.8	50.0	8.3	41.4
Chemicals, plastics pdts		1.2	6.0	0.6	7.0	0.4	11.9	0.3	10.8
Textile ptds, footwear		2.6	39.5	1.9	42.1	3.0	45.0	2.3	45.1
Metals, metal pdts.		8.9	13.1	6.7	14.4	5.5	18.1	1.8	15.8
Other manufactures		0.2	8.2	0.2	10.3	0.8	15.0	0.5	17.3
Total processed		2.6	15.5	1.7	16.3	2.0	21.0	1.1	21.7
Total all goods		6.7	38.1	5.9	33.9	4.7	26.3	3.1	27.5

Source: COMEXT

A set of product-country pairs was selected on the basis of the following criteria:

- only countries where processed exports accounted for at least 5 percent of total exports in 1992 or 1988 were included;

- products were chosen only where they accounted for at least 5 percent of total processed export. This was to eliminate products which may have found a temporary export market, but had not been developed into a significant export industry and thus be used to evaluate the role of preferences. However this criterion was used flexibly, so as not necessarily to exclude goods below the threshold which were close substitutes in production and shifts in output might just reflect changes in relative demand.

These criteria combined to exclude a number of countries: in Africa, Angola, Cape Verde, Burundi, Chad, Niger, Djibouti, Equatorial Guinea, Guinea-Bissau, San Tome and Principe and the Seychelles; in the Caribbean, St Kitts and Nevis, St Lucia and St Vincent and the Grenadines; in the Pacific, all countries except Fiji and the Solomon Islands.

In general the level of product disaggregation used was such as to permit a scalar measure of ACP preference margins over MFN and GSP suppliers. In some cases, that conflicted with the need to look at export performance over a reasonable length of time which required marrying the CN and NIMEXE classifications. Thus we had to accept for example, in clothing, a range, albeit small, of the tariff preferences appropriate to different clothing products.

Tables 1 and 2 of Annex 2 respectively give the results for processed agricultural and industrial exports. They are discussed product-by-product, highlighting the main exporters among the ACP countries and assessing their export performance against the preferential treatment they got in the EU market.

Processed agricultural products

Canned tuna has become an important export for a number of African and Pacific countries, including Senegal, Mauritius, Fiji and the Solomon Islands. In the case of the last of these, it represents over half total exports to the EU. The ACP now contributes almost 40 percent of EU imports with Senegal alone accounting for nearly 8 percent. In 1982 however the ACP supplied over 60 percent with Senegal alone supplying 22.5 percent. Since 1988 the growth rate of ACP exports of tuna has been minimal at under 2 percent per year while that of the non-ACP developing countries has been 15 percent. The exception is the Solomon Islands, which, while still supplying a relatively small overall share of EU imports, has seen its exports rise dramatically since 1988.

The ACP enjoy no preference over other developing countries since the GSP rate is zero. The MFN rate however is 24 to 25 percent which may explain the steady progress in capturing market share of EU imports by other developing countries.

There has been much criticism of the rules of origin as they apply to fish and fish products which mainly concerns the ownership of vessels and nationality of crew used on board. Although for canned tuna ACP exporters receive automatic derogation from the rules of origin for 2500 tonnes (which has now been increased to 4000) this does not cover all ACP exports. In any event, ACP preferences in this area have clearly not prevented a sharp decline in market share, though ACP exports have continued to increase, although i recent years painfully slowly.

As with tuna, the ACP do not enjoy any preference margin over the other developing countries in **cocoa paste** or **cocoa butter**. Nor are there likely to be any significant advantages for ACP suppliers as regards rules of origin.

In both cases the ACP has seen its market share decline from the mid-1970s to the mid-1980s and expand thereafter, while the overall EU market has stagnated. Cocoa paste and butter together account for the bulk of Cote d'Ivoire's exports of processed goods and that country accounts for the bulk of ACP exports of these products to the EU. The increased share of cocoa butter exports may be explained by higher value. However the shifts in market share between the ACP and the non-ACP developing countries can hardly be related to preferences and need to be examined in terms of technical and competitiveness factors.

Lesotho is the sole ACP exporter of **canned asparagus** to the EU. Since 1982 exports have continued to rise, but, despite significant tariff preferences, Lesotho has seen its market share slip in favour of non-ACP developing countries and the countries of Eastern Europe. While Poland, Hungary and the former Czechoslovakia were granted GSP status by the EU in 1991, the rapid growth of imports of asparagus from Eastern Europe had started considerably earlier. This is an example of large ACP preference margins being nevertheless insufficient to offset other disadvantageous factors such as price, marketing and transport costs. If there are opportunities in this sector for other ACP States, they remain unexploited.

Malawi's experience in exports of **preserved nuts** is one of rapid decline, growth and then, again, decline. This is a product clearly susceptible to adverse weather and disease, and supply-side factors explain a lot of the fluctuations. Neither GSP nor ACP preferences appear to play a major role. The market share of the industrial countries, in particular the United States, is once again rising.

In **canned pineapples**, Kenya has steadily won increased market share while the performance of Swaziland has been erratic. The recent rise in the share of developing countries at the expense of the developed economies has been achieved by non-ACP countries. The ACP States have not enjoyed any preference vis-à-vis other developing countries, but the latter may have been assisted by a significant preference margin over the MFN suppliers (23 percent).

Finally **rum** is a staple export product for the Caribbean ACP states. In the case of Guyana, exports have increased particularly rapidly and have come to represent over 65 percent of exports to the EU as well as over half the EU's total imports of this product. Exports of the other main producers except Jamaica, namely the Bahamas, Barbados and Trinidad, have also been expanding at an annual rate averaging nearly 10 percent over the last two decades. In the case of rum, the ACP producers enjoy a tariff-free quota on the EU market while there is no GSP regime to help non-ACP developing producers. The preference has apparently enabled the industry to flourish and the Caribbean states involved have successfully lobbied the EU to advance the elimination of the quota on certain types of rum

Manufactured products

Turning to manufactured products (Annex 2, table 2), again the pattern is very mixed. Quantitative limits on tariff-free imports of **acetic acid** and **methanol** under the GSP may have helped Guinea and Trinidad & Tobago respectively build up market shares in these products. In the case of acetic acid, most EU imports are sourced in the developed countries and the ACP margin of preference over those supplies is nearly 17 percent. The significance of quotas and ceilings would need to be examined on a case-by-case basis. In the case of ceilings, unlike quotas (or in EU jargon, duty-free amounts) there can be no presumption that MFN rates are applied once the amount is reached: that depends on a request from a EU Member State.

The major gains in EU market share of **cortical hormone derivatives** from the Bahamas have mainly been at the expense of developed countries. However these gains have now been reversed and the Bahamas share of the EU market fell from nearly 60 percent in 1982 to a mere 6 percent in 1992. The 6.6 percent tariff preference margin has remained in effect throughout that period. In the case of exports of **cyclic amides** from Benin, which has a small but growing market share in the EU, both that country and certain non-ACP developing countries are making minor inroads into the share of the dominant industrial country suppliers. Here again the ACP and other developing countries enjoy the same tariff preference margins.

In the case of **iron and steel bars and wires** from Trinidad and Tobago, the significant market share that had been built up by the late 1980s was rapidly eroded by imports from Eastern Europe. There is no likelihood that the so-called European Agreements which gave significant tariff preferences to the Eastern European and former Soviet Union countries would have led to this: most of them were only signed in 1992. However there can be no doubt that the dismantling of central planning and the freeing up of trade decisions within the Eastern countries was associated with a major increase in exports to the EU, and in some sectors these exports may have replaced exports from the ACP States.

The results for wood are very mixed, and with data only from 1988, interpretation of the role of preferences is even more difficult. In the case of **veneers**, as with each of the three categories, the margins of preference do not distinguish between the ACP and other developing countries. Most of the ACP suppliers have lost market share since 1988, but not to the same extent as the non-ACP countries. The main gainers appear to be the developed countries, despite the rather small 4-6 percent GSP-ACP tariff preference. The same appears to be happening in **plywood** though in this case there is only one major ACP supplier, Gabon, and the preference margin is somewhat higher at 10 percent. There, too, there are quantitative limits on exports under the GSP by the more competitive' producers such as Brazil, Indonesia and Malaysia which may explain the loss in their market share. In the category of **shaped wood** the ACP, mainly Cote d'Ivoire, has lost share to other developing countries, who have also gained substantially from the developed countries.

In **cotton yarn** and **cotton fabric**, the ACP suppliers have been gaining market share. Particularly in the former growth rates of exports to the EU have been spectacular for Tanzania and Zimbabwe despite declining total EU imports. For both product groups, there is no ACP tariff margin over other developing country suppliers. The margin over developed countries is 6 percent in the case of yarn and 10 percent in the case of fabric. However it is in the former case that the developing countries, ACP and other, have made the greater progress.

In **twine**, Tanzania had built up a substantial market share by 1982 but, along with those of non-ACP suppliers, this has eroded by developed country exports in recent years. Despite a common tariff preference of 10 to 25 percent, both groups of developing countries have lost out, primarily because of the competitiveness of synthetic fibres.

Mauritius is the principal ACP exporter of **clothing**, both knitted and not knitted, to the EU. In both categories, because of the success, of Mauritius, the share of the ACP has increased, but for some slippage in the latter category after 1988. In the case of these products, the ACP have a particular preference in that they are not subject to quotas under the EU's MultiFibre

Arrangement (MFA) scheme. Indeed, in Mauritius and to a smaller extent in the Caribbean, clothing manufacturers from South East Asia have invested partly to evade quota restrictions, though low labour costs have also been a consideration. Clothing exports from developing countries who have not signed a bilateral quota agreement with the EU have been subjected to MFN tariffs of up to 14 percent.

The success of Zaire and Zambia in expanding their exports of **copper mattes** has nothing to do with any tariff or other preferences since these enter the EU tariff-free from all sources. The same can be said for the success of Antigua and Barbuda in exporting **sailing boats**, which, though with only representing one percent of the EU market, account for nearly 13 percent of that country's exports to the EU.

In the case of **watches**, Mauritius, alone among the ACP group, has made a serious entry into the EU market, gaining a market share over 21 percent by 1988. This share has since fallen by more than half, mainly in favour of developed countries. In this market Mauritius may have benefited from the quotas imposed on GSP benefits. In the event the 6.2 percent preference margin does not appear to have been sufficient to withstand the much improved competitiveness of the industry in both the EU itself and in other developed countries, particularly Switzerland.

In **furniture**, the ACP suppliers have made little headway, though the non-ACP developing countries, with the same tariff preference margins only limited by quotas on certain types of furniture, have wrested market share from the dominant developed country producers.

2.4 The effect of preferences on export performance

It is not surprising that no clear conclusions about the role of preferences on ACP exports of processed goods emerge. The interpretation of the data is obfuscated by the fact that ACP tariff preference margins on processed goods are generally shared by non-ACP developing countries. Very often, however, the preference margins are limited to specific quotas or ceilings of exports from the largest supplying countries. It would be interesting to examine the extent to which these QRs have actually been constraining and whether there was any evidence that the ACP States might have exploited any market openings these may yield.

In some cases where the preference is limited to the ACP States, it seems to have been to some extent effective. This is the case in rum, and perhaps in canned asparagus. In canned asparagus export growth has lost momentum in recent years, apparently due to competition from Eastern Europe. Thus preferences that may be adequate to provide a sufficient edge vis-à-vis particular countries may not suffice when new countries start to compete. It is also obvious that the same applies to new processes. The advent of synthetic materials in twine production seems to have rendered the ACP and GSP preference margins at least inadequate to maintain market share.

As well as tariff preferences, the ACP States enjoy more favourable treatment as regards rules of origin than that afforded to GSP beneficiaries. The basic rule facing the ACP States is less demanding than that required for the GSP. For GSP status imports into the EU must satisfy a 'process criterion' rather than a percentage criterion. The basic rule is that the imported material undergoes a change in HS classification. This is often supplemented by additional rules specifying minimal processing requirements - often involving a double or triple tariff jump. This is the so-called 'single list' of exceptions to the basic rule.

A further advantage of the ACP States lies in more generous cumulation criteria in that they can use inputs either imported from the EU or from other ACP States without counting these against the 10 percent threshold for non-originating inputs. Cumulation for GSP status is reserved for members of certain sub-regional groups. Furthermore regional cumulation may only be partial. Both the value tolerance and cumulation possibilities have been further extended in the Lomé mid-term review (see section 4.2 below).

Despite these advantages enjoyed by the ACP States there has been considerable dissatisfaction at the rules of origin applied to their exports. It seems obvious that rules of origin discriminate particularly against small countries where possibilities of finding local supplies of inputs are more limited. Most ACP countries fall into this category. Opportunities for cumulation do not compensate for this and the threshold for non-originating inputs is generally regarded as too low.

In particular sectors there are some bizarre and apparently burdensome rules that severely limit the ability to claim ACP status. The rules facing fish products - which concern the registration, ownership and crewing of fishing vessels - have been found particularly onerous.

In addition, it is recognised that supply-side constraints, such as the lack of private investment and good physical and financial infrastructure, affect ACP exporters a great deal. (Davenport, Hewitt and Koning, 1995).

3. Consequences for ACP manufactured exports from the Uruguay Round

Global liberalisation of mfn tariffs (and subsequent adaptations of GSP schemes) has reduced the value of Lomé preferences. Trade liberalisation under the Uruguay Round will affect manufactured exports from ACP countries mainly through the improved access offered to non-preferred suppliers of industrial[1] products, and the phasing out of the Multifibre Arrangement (MFA). The improved market access offered by industrialised countries has resulted in an erosion of ACP preferences. In theory the reduction of MFN tariffs and the subsequent adjustment of GSP rates will lead to trade diversion away from the preferred ACP suppliers to more competitive non-preferred suppliers. The phasing out of the MFA, from which ACP suppliers were exempt in the EU market, and instead of which they received special preferences in the US market, is also likely to affect the market share of ACP exports of textiles and clothing.

Other repercussions on the ACP's trade balance mainly result from the Agreement on Agriculture which will result in changes in world prices for ACP exports and imports of temperate agricultural products. As many ACP countries are net food importers they are likely to be presented with an increase in the costs of their imports. In addition some ACP countries exporting temperate agricultural products which enjoy preferential treatment in the EU market through the Lomé protocols, such as beef, rice and sugar will lose as a result of a decrease in domestic EU prices due to the reform of the Common Agricultural Policy following the Round. Further ACP losses occur because of preference erosion on their tropical agricultural exports to the EU. (In other markets tariffs on these products had already been reduced or eliminated in the past, so preference erosion was not an issue.)

Nevertheless, as the focus of this paper is the effects of the UR settlement on manufactured exports from ACP countries we will concentrate on the effects of preference erosion on industrial exports and the phasing out of the MFA. In addition we will address the impact of changes in regulations on anti-dumping and quantitative restriction, and the establishment of the WTO. Finally some attention will be paid to the obligations for ACP countries following the UR and opportunities for them resulting from global trade liberalisation.

3.1 Erosion of preferences on industrial exports from ACP countries

Offers of industrialised countries

Table 3.1 indicates pre- and post-UR tariffs and the percentage reduction on industrial imports to the three main markets for ACP exporters, EU, US and Japan.

Almost all tariffs on developed countries' imports of industrial products are now bound.(GATT.1994) This implies that the present level (or an upper limit), as agreed with trading partners, is registered with GATT/WTO and can then only be lowered, not raised, except by further negotiation or compensation. The binding will be advantageous to the ACP exporters as developed countries will no longer be able to increase protection on certain

[1] In order to avoid confusion the term industrial exports is used as opposed to manufactures because clothing is excluded from this analysis.

Table 3.1 Reductions of bound tariffs on imports of industrial products from African countries[1] by major developed country markets

Market	Average tariff		Reduction
	Pre-UR	Post-UR	
European Union			
	2.8	2.0	29
Industrial products	1.6	0.5	69
Wood, pulp, paper & furniture	11.8	10.0	15
Textiles and clothing*	3.0	2.3	23
Leather, rubber, footwear & travel goods	1.9	1.3	32
Metals	6.9	2.1	70
Chemicals & photographic supplies	1.0	0.8	20
Transport equipment	3.7	1.1	70
Non-electric machinery	8.0	4.3	46
Electric machinery	0.4	0.2	50
Mineral products, precious stones & metals			
Japan			
Industrial products	3.4	1.8	47
Wood, pulp, paper & furniture	1.2	0.1	92
Textiles and clothing*	1.5	1.0	33
Leather, rubber, footwear & travel goods	7.8	6.0	23
Metals	4.2	2.1	50
Chemicals & photographic supplies	2.5	0.5	50
Transport equipment	0.1	0.0	100
Non-electric machinery	3.7	0.0	100
Electric machinery	0.6	0.0	100
Mineral products, precious stones & metals	0.3	0.0	100
United States			
Industrial products	2.3	1.9	17
Wood, pulp, paper & furniture	0.7	0.1	86
Textiles and clothing*	16.4	14.9	9
Leather, rubber, footwear & travel goods	1.0	0.8	20
Metals	1.5	1.4	7
Chemicals & Photographic supplies	4.8	2.6	46
Transport equipment	2.7	1.7	37
Non-electric machinery	3.1	0.7	77
Electric machinery	4.6	0.9	80
Mineral products, precious stones & metals	0.2	0.1	50

* Figures understate the increase in market access because they do not take into account the phase-out of bilateral quotas imposed under the Multifibre Arrangement.

[1] Although these are tariffs imposed on African countries, which constitute the majority of the ACP group (47 out of 70) they are similar to the tariffs by the trading partners on the whole ACP group thanks to various preferential schemes.

Source: Blackhurst, Enders and Francois

imports when they become more sensitive. Although this has not happened often vis-a-vis ACP countries in the past, it offers a good security for more advanced ACP countries, such as the Barbados and Mauritius.

Another proclaimed advantage of the outcome of the Round is the reduction of tariff escalation.(Harrold, 1995) However, tariff escalation has not formally been a problem for the ACP States who sought to increase the value added of their exports. ACP tariff preferences have generally been greater the higher the level of processing, especially in the EU market. The advantage of being exempted from tariff escalation will in the short run be eroded or at least reduced. ACP exporters as was indicated in section 2 have only moved into processing and manufacturing to a limited extent and the fact that they will lose this advantage will, like their preference margins in general, be of no great immediate loss. It does mean, however, that if certain ACP States want to move into processing their tropical or natural resource products in the future, access may be marginally more difficult (ODI, 1995).

From the tariff levels and reductions it appears that some of the products of particular interest to ACP exporters had relatively above average MFN tariffs and small cuts, such as fish, leather, rubber products, footwear and transport equipment. In contrast, market access for other exports of importance to the ACP, such as wood pulp and paper and chemicals, electric machinery, has been improved and has caused preference erosion.

Due to the preferential treatment of ACP exports in these markets, the extension of market access by a reduction of MFN tariffs will affect ACP export negatively. In other words where liberalisation has been most generous, ACP exporters will suffer most from preference erosion and subsequent trade diversion. Preference erosion is therefore largest in the EU market where ACP exporters enjoyed the largest preferences on manufactured exports (practically zero tariff). For the small number of manufactured exports which have not benefitted from preferences, especially in the US and Japanese markets (eg US imports of footwear which is excluded from the CBI) further liberalisation might, however, benefit ACP exporters.

Quantitative estimate of losses

Table 3.2 shows ODI estimates of losses caused by trade diversion and changes in prices as a result of the trade liberalisation. Calculating the ex-ante trade diversion and subsequent loss in export earnings for ACP states we have implicitly assumed that the existing preferences are largely exploited by ACP exporters and that they have an impact on the competitiveness of ACP exports. Considering our estimated evidence for the effectiveness of Lomé trade provisions the losses might be overestimated.

Although *metals and minerals* were not heavily protected before the further reduction of MFN tariffs to 1.0% will affect ACP revenue from these relatively important exports. Preference erosion on metals and minerals will result in losses of around $79m for the ACP group. Trade diversion in metals and minerals is particular acute for African countries where metals constitute one of the major exports. Congo, Ghana, Guinea, Zaire, and Zambia, are particularly affected, as are the Dominican Republic and Papua New Guinea.

On exports of *wood, pulp and paper* tariffs are generally low; MFN tariffs were reduced by 57% to only 1.8% and they were already zero for GSP beneficiaries, as are the ACP

Table 3.2 Quantitative estimates of static losses resulting from ACP preference erosion ($m)

OECD	*metals, min.*	*wood, pulp, paper*	*leather, footwear*	*chemicals*	*elect. equip.*	*nonelect. mach.*	*transport equip.*	*other industrial*	*Imports $mil 1992*	*Totals Diversion + creation*	*Revenue* change*
Africa	-60.9	-36.1	-0.4	-10.9	-2.9	-3.7	-6.6	-54.4	8222.4	-131.5	-175.8
Caribbean	-7.5	-0.3	-6.5	-27.9	-11.6	-1.7	-5.2	-59.3	3366.3	-95.1	-120.0
Pacific	-4.3	-5.8	-0.2	0.0	-1.4	-0.1	0.0	-2.4	659.3	-10.6	-14.2
ACP (65)	-78.7	-42.3	-7.2	-39.0	-15.9	-5.5	-12.1	-116.3	12766	-242	-317

* Figures do not always add up because of rounding

Source: Davenport M., Hewitt, A., and Koning, A., (1995), *Europe's Preferred Partners: The Lomé Countries in World Trade*. London: ODI Special Report.

preferences. Nevertheless, ACP exports are fairly significant (1992 % of ACP exports) and trade diversion is expected to lead to a $42m loss of export earnings. The preference erosion on wood and wood products could be a problem for Cameroon, Congo, Côte d'Ivoire, Gabon, Ghana and a smaller exporter, Equatorial Guinea, which is highly dependent on its wood exports and will lose 2% of its revenue from exports to the world.

On exports of *leather and footwear* ACP countries lose $7.2m. of their export revenue, most of which is accounted for by the Dominican Republic. In the category of non-electrical machinery losses are spread over many of the ACP countries, but they remain small (only $5.5m. in total).

Preference erosion in *chemicals* affects only a small number of ACP countries, in particular Niger, the Bahamas and Trinidad and Tobago. Together they are expected to lose around $39m as a result of trade diversion.

More sophisticated products, such as electrical and transport equipment, are also exported by only a small number of ACP states. Trade diversion affecting exports of *electrical equipment* is likely to cause significant losses in export earnings for the Dominican Republic ($9.1m), while some smaller exporters lose relatively more as a proportion of their export earnings. Western Samoa, for instance loses 9% of its export earnings due to liberalisation of exports of electrical equipment. Liberia and the Bahamas are the only significant losers from a the reduction of MFN tariffs on *transport equipment*. In total, the ACP states lose $16m. exports of electrical equipment and $12m. on exports of transport equipment.

Trade diversion and export revenue losses in all industrial products are estimated at $242m. $317m. respectively, accounting for 2.5% of ACP exports of industrial products (See annex 3or detailed country-by country losses). In Africa , Cameroon, Congo, Côte d'Ivoire, Gabon, Liberia, Mauritania, Niger, Nigeria, Zaire and Zambia are particularly affected, but the biggest losers are in the Caribbean : the Bahamas, the Dominican Republic, Jamaica, Suriname and Trinidad and Tobago. In the Pacific, Papua New Guinea will suffer significantly. Relative to their total export earnings Niger, Djibouti, the Bahamas, Antigua and Barbuda and Tuvalu will lose most as a result of the preference erosion on their industrial exports to the EU. Among these countries are some of the ACP states which have been most successful in diversifying their production. Ten out of the 70 ACP countries account for 55% of the lost export revenue on industrial exports.

Table 3.3: Ten biggest losers among the ACP countries as a result of preference erosion on industrial exports, losses in m$ and as % share of their industrial exports.

	Lost Export Revenue	Share of Industrial Exports
Dominican Republic	34	3
Bahamas	32	4
Jamaica	19	3
Zaire	17	4
Liberia	14	2
Trinidad & Tobago	14	5
Surinam	12	4
Cote d'Ivoire	11	2
Gabon	11	2
Mauritania	11	3

Source: ibid

Relative to overall ACP exports to the world the loss from preference erosion on industrial products is small and estimated to amount to 0.6%. It must be borne in mind that a large share of ACP exports suffer no trade diversion, since these products already enter OECD markets, free of tariffs for all suppliers. Even where MFN tariffs are non-zero. in many cases the ACPs main competitors are other developing countries which enjoy comparable preferential treatment.

However, it needs to be stressed that these estimates are only static losses: the dynamic effects on investment and future export earnings are difficult to quantify. Preference erosion might prevent other ACP countries from moving further into the production of non-traditional exports. Exporters of manufactures may be particularly susceptible to the reduction of the preference margin, because many of the producers are new, often small, enterprises trying to break into the EU and other markets. The erosion of preferences will affect future investment prospects.

To put the export revenue losses in perspective of the overall quantitative effects of the Uruguay Round on ACP countries as estimated by ODI (1995), a summary is given in table 3.4. As is demonstrated, 40% of the loss created by the Uruguay Round is due to the preference erosion on industrial products. These figures exclude the effects of the phasing-out of the MFA.

3.2 The phasing out of the MFA and its effects on ACP exports

As the ACP states have been exempted from the MFA in the past, its phasing out will have the effect of adding to the erosion of their preferential treatment. Industrialised countries that introduced the MFA quotas to restrain developing country exports of textiles and clothing as

Table 3.4 Summary of the Uruguay Round settlement. Trade effects ($m. and share of 1992 exports from the ACP to OECD countries)

	change in net exports of temperate agricultural products	change in revenue from exports of tropical products and fish	change in revenue from exports of industrial products *	total change in exports	1992 exports to the rest of the world	total change as % of total exports
Africa	-173	-156.3	-175.8	-505.3	44689	-1.1
Caribbean	-52	-11.0	-120.0	-183.1	6109	-3.0
Pacific	-2	-9.3	-14.2	-25.0	2390	-1.1
ACP	-227	-176.6	-317	-713.4	53188	-1.3

* excluding textiles and clothing

Source: Davenport M., Hewitt, A., and Koning, A., (1995), *Europe's Preferred Partners: The Lomé Countries in World Trade*. London: ODI Special Report.

a protection of domestic producers have to replace their bilateral quota arrangements by tariffs. Apart from the elimination of these quantitative restrictions over the next 10 years, developed countries' tariffs on textiles and clothing will also be reduced to an average of 22%, according to GATT estimates.

The implications of the liberalisation which will take place in three phases[2] are difficult to predict. In the first two phases no major changes are expected as the liberalisation of barriers on the most sensitive products will undoubtedly be left to the latest phase. The effects of the phasing-out of the MFA depend on the response of demand and supply to the liberalisation. Demand for clothing and finished textile products in OECD countries is expected to increase as a result of the dismantling of MFA restrictions. At the same time developing country suppliers of these products will try to expand their exports and take a share of the growing market. However, the clothing sector, in particular, will become far more competitive through this process than when it was regulated by the MFA regime. Producers with significant comparative advantage will be able to take a relatively larger share of the growing market than other developing countries.

ACP producers of clothing and textiles will be hard pressed to benefit from the rise in demand, since they were not subject to controls before. On a global scale, the highly

[2] During the first phase, due to be completed by the end of 1994, at least 16% of the total 1990 volume of textiles and clothing imports, has to be transferred. In phase two products accounting for another 17% have to be brought under GATT rules before the end of 1997, and an additional 18% will be integrated in the GATT by 2001. During the last stage the MFA will be completely phased out with the integration of the remaining products into the GATT.

competitive Asian countries are expected to gain a large share of the market from previously protected suppliers or preferred sources such as the ACP, thanks to their low labour costs and natural resources. The loss in export revenue for ACP exporters caused by the phasing out of the MFA is hard to predict and depends on a lot of assumptions (for some simulations see Page and Davenport) .

Significant African ACP exporters of MFA goods in Mauritius, Madagascar, and Lesotho, which lack an intrinsic comparative advantage and have largely used the Lomé preferences to build up their industry, will face greater competition in the EU market and are more likely to lose market share for their current exports instead of gaining from the phasing out of the MFA, if we look purely at the non-tariff barriers changes. Zimbabwe has only just entered the market and will also find it hard to compete with the other players.

Caribbean suppliers of clothing and textiles are affected by preference erosion in the EU and US market, where they enjoy special preferences on outward processing. The least competitive of them, such as Jamaica and some of the smaller islands, are again likely to lose market share. Haiti is the only Caribbean exporter with a cost advantage and it might therefore maintain its position in the market. The winding down of the MFA will, in any event, give Caribbean producers more freedom and prospects to develop their industry. Under regulation 807A they were left to do only a part of the processing of the clothing industry, giving them no opportunity to develop a strong base for the industry nor experience in distributing and marketing their products. But for their exports to the US it is hard to estimate whether the gains from the phasing-out of the MFA will compensate for the erosion of the special treatment under regulation 807A. It is likely that Chinese and South Asian suppliers of raw materials will increasingly produce textiles and clothing for export to the US after the phasing out of the MFA.

Page and Davenport argue that the main losers among the ACP countries will be Mauritius and Jamaica, which are estimated to decrease by 16.5% and 7.6% (of 1992 exports) respectively. More generally, however, the ACP countries' loss of export earnings which can be quantified as a result of the phasing out of the MFA is expected to amount to only 0.2% of total export revenue.

This may seem relatively low, but the change will further negatively affect ACP countries (often cotton producers), which are potential exporters of textiles and clothing such as Chad, Burkina Faso, Benin and Mali, which currently depend for a significant part of their export earnings on exporting basic textiles (to the Eu market) which do not fall under the MFA regime and are therefore not directly affected by the Uruguay Round. The erosion of their preferences might slow the potential development in the industry as investment is negatively affected. Without protection or the investment that preferences might attract, it will be more difficult for the textile industry in these countries to move up to higher value-added products and more diversified textiles and clothing exports.(Koning, 1994)

3.3 Other consequences of the UR agreement that could affect ACP exports of manufactures

Establishment of the WTO and the improved dispute settlement system

The World Trade Organisation has been established with the aim, *inter alia*, of strengthening the monitoring of trade policy. The predictable and strict rule setting it advocates could be beneficial to the ACP exporters. The WTO will restrict unilateral measures and this gives more opportunities to ACP and other developing countries to defend themselves. The improved dispute settlement system, described by GATT as, "the central element in providing security and predictability of the multilateral trading system" will be beneficial to ACP countries for the same reason as it permits them to pursue their rights independently of their power in the international trade environment. Despite this, a serious weakness remains for the ACP countries as it is the damaged country that in a dispute can complain and take retaliatory action to enforce a judgement (rather than the WTO). As the ACP countries are still relatively heavily dependent on their markets, retaliatory action by one of the world main trading partners will affect them disproportionately to a retaliatory action of an ACP country against one of its trading partners.

The different Councils of the WTO will increase the availability of information and enhance the transparency in international trade practices. This will be advantageous to all countries, but in particular for ACP countries which often do not have the resources and expertise to assemble the technical information needed to protect their interests. Following a request of the ACP group the WTO is currently, together with the EU, preparing the organisation of regional seminars in the ACP countries on the outcome of the UR and the functions and role of the WTO.

The benefits of the establishment of the new organisation for ACP exporters results from the improved regulatory framework and increased transparency which means that ACP countries can be better equipped for the further globalisation of the international trading environment. Nevertheless, in order to take advantage of these benefits it is important that the ACP countries take an active interest in the WTO.

Quantitative restrictions, safeguards and anti-dumping measures

Quantitative restrictions and anti-dumping measures have in the past not affected ACP countries in a significant way, although some countries have been confronted by for instance VERs or threats of imposing them, eg Mauritius. However, from the experience of other, more advanced, developing countries it appears that when exports increase and a country becomes more successful protectionist measures of these kind can be introduced by industrialised countries, in particular the EU and US. The non-tariff barrier coverage ratio of manufactured exports from developing countries was 18.8. This is more than double the figure for developed countries (8.5) (Harrold, 1995). Although the figure for African ACP countries was only 6.5 it shows that they could risk an increase in non-tariff barriers when further developing their manufactured exports.

The UR agreement on safeguards is specifically designed to curtail the use of 'grey area' methods - voluntary export restraints, orderly marketing arrangements and such like - to regulate trade for normally protectionist purposes. A 'sunset' clause has been agreed which means that all such measures have either to be brought into conformity with GATT rules or phased out within four years. All existing safeguard arrangements under Article XIX would be terminated within eight years.[3] It is indeed expected that some reduction in the use of grey-area measures will occur. Nevertheless the unpleasant fact remains true that it is impossible to prevent measures being taken outside the GATT whereby exports to important markets are discreetly restricted under threat of more serious sanctions.

Similar arguments hold for the use of anti-dumping measures. Anti-dumping actions have become a favourite protectionist tool of the developed countries. They are attractive because the GATT Code has been relatively permissive[4] in this area in the past. The Uruguay Round agreement has made some limited improvements in the rules in the Code on Anti-dumping and, also, made those rules an integral part of the GATT, rather than as part of a separate code which members may sign or not.

The improvements concern the rules for establishing the 'normal' price of the product which is allegedly dumped and for determining whether material injury to the domestic industry has taken place. It is unfortunate that the negotiations did not result in the simplification and, possibly, strengthening of the safeguards mechanism, which would be the proper mechanism for dealing with most threats to domestic industry caused by price competition from abroad. Instead because the outcome can be largely controlled, with the national authorities in the importing country acting as investigator, judge and jury, Anti-dumping actions will continue to be used for protecting the domestic industry, either through the harassment of foreign suppliers or through the imposition of Anti-dumping duties.

Most of these non-tariff restrictions and anti-dumping actions will continue to fall on the most industrialised of the developing countries. With their low levels of exports of manufactures, most ACP States have little to fear for the moment. However, as the Multifibre Arrangement is phased out the industrialised countries could make increasing use of these actions to protect their own textile and clothing sectors, and ACP States could conceivably face such actions in their export markets outside the EU. Secondly, the threat of in particular anti-dumping actions will discourage investment in manufacturing among the developing countries, including the ACP. Now that a number of the more industrialised developing countries are themselves adopting anti-dumping legislation, the potential markets for exports of manufactures are being infected by this corrosive form of contingent protection.

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[3] The developing countries are given some additional shelter against the implementation of the safeguard clause in that it can only be invoked if the share of imports from a developing country exceeds a threshold of 3 percent or that of all developing countries 9 percent. As regards their own use of the clause the developing countries are given a further two years for the maximum period of application.

[4] Countries have established procedures for investigating alleged dumping which are biased towards positive results, because action can be taken quickly - provisional duties can be introduced immediately - and without the need to provide compensation, and where actions can be and are often informally settled through price or trade volume commitments by the exporting country.

ACP commitments

Demands placed on ACP countries are minimal, in particular for the thirty eight least developed of them. In most cases they have been offered longer periods to adapt to the UR agreement or have been exempted from rules (eg the abolition of export subsidies).

Regarding improvement of market access to ACP markets, offers have been conservative. Most ACP countries have increased the binding of their tariffs, but to a lesser extent than developed countries (from 15% to 79%) and sometimes well above the actual tariffs (with the exception of the countries of the SACU). Harrold argues that this is a shame and that in particular the African ACP countries have missed the opportunity by not binding their domestic reforms[5] to an international anchor to improve their credibility (Harrold,1995).

3.4 Opportunities resulting from improved market access

On a more optimistic note the improved access to non-EU markets is expected to benefit ACP countries. In contrast to the preference erosion in Europe, ACP states will have more, and more secure, access to other markets where they currently have less preferential treatment. Regarding exports to the US and Japan which benefit from GSP the Round has definitely increased the certainty for market access, especially for the more advanced ACP countries, as preferences of this type are very much dependent on policies and for that matter governments of the preference giving countries.

For Pacific islands and some countries in Eastern Africa in particular, the growing Asian markets offer obvious new opportunities. Caribbean countries will, despite the erosion of their preferences under the Caribbean Basin Initiative, benefit from a more open US economy. Concern that they will be excluded from NAFTA arrangements, should they be extended, has stimulated many of them to develop a proactive strategy to be included. This is the kind of action that will be needed if ACP states are to exploit the opportunities in these and other non-EU markets. (It may be rather depressing to note that only one of the seventy ACP countries, Papua New Guinea, had by 1995 joined the APEC 'Pacific Rim' group of fast-growing developed and developing countries, which together comprise by far the biggest market in the world – the USA and Japan are members.)

Although trade among ACP countries and with other developing countries has been rather limited, so far, reduced barries will offer new opportunities for increasing South-South trade. African exporters can potentially benefit from South Africa's opening market and Caribbean countries will be able to exploit the greater access to Latin American economies.

The Uruguay Round is likely to have a positive impact on the ACP states via the boost in world trade, investment and economic growth that the trade liberalisation generates, and optimists would say this far outweighs the preference erosion and other negative factors. Global income will be increased by improved access to the markets of trading partners and a more efficient use of resources, when trade barriers are reduced or removed, which will

[5] Some of the liberalisations undertaken outside the Round, for instance as part of structural adjustment reforms, have been acknowledged or 'credited' in the Round.

increase world demand. Studies by GATT, the World Bank, and the OECD predict an average annual increase of 1.05% in world income by 2002 as a result of trade liberalisation. If these gains are combined with their losses occurring from the Round, the ACP states are still expected to lose approximately 0.3% of their export earnings[6] (see Annex 4). So it has to be stressed that some countries face a net loss rather than a net gain, which is why pressure for special treatment for the Least Developed Countries has now built up.

[6] These estimates considers an average income elasticity of demand for ACP exports of 1; in an alternative case, of an elasticity of 3, they appear to gain 1.8% of the current level of their export earnings

4. How to improve ACP competitiveness after the Uruguay Round

Concerning the competitiveness of ACP countries, we would distinguish between two types of solutions: one, a rather short term opportunistic solution concentrating on the use of trade preferences including the compensation for their erosion, the other, more general measures oriented towards changing the structure and diversifying the destination of ACP exports.

4.1 Exploitation of existing preferences

Some ACP countries have been able to develop significant manufacturing industries in recent years, others for instance those which export raw materials for textiles and clothing, might make some progress in diversifying their exports in the near future. Although there is limited evidence of effective utilisation of the Lomé trade provisions in the past it should be recognised that now more than before ACP exporters might be able to benefit from the provisions. This is especially so as in some countries structural adjustment programmes are succeeding and policy and infrastructure conditions in some countries are improving, opening opportunities for exporters. It needs to be stressed that ACP countries still enjoy a considerable degree of preference.

In particular for the more sensitive products, generally protected by non-tariff barriers in the past (eg textiles and clothing) this will remain a major advantage despite global trade liberalisation. As it is expected that only at the end of the ten year implementation period of the UR agreement will significant quotas be abolished and after that high tariff levels will remain on these products, this leaves the ACP exporters with a price advantage in the EU market.

Regarding Lomé preferences it will be of importance to overcome some of the restrictions to their effective use, one of which is clearly the lack of awareness of the provisions in the public, and in particular in the private sector. Small and medium sized enterprises should be made more aware of the opportunities the Lomé Convention can offer them in form of preferential access to the EU market and assistance of various kinds.

There are, moreover, formal aid-trade links which could be exploited more in future. It is essential that government officials (in particular the ACP National Authorising Officer) pay more attention to the to coherence of the aid and trade provisions Lomé can offer to their country. This implies exploiting some of the available aid provisions for trade purposes, ie orienting aid spending to integrate with and assist in trade development for instance by investing in marketing and distribution facilities. This also counts for the regional indicative programmes which should be more targeted and conditioned to promote regional trade development, not only with transport links, but also with commitment for liberalising borders.

Finally, an effective implementation of that Trade Development Project can give some further incentives to trade development in the ACP countries. (CTA, 1993) This project was suggested in Annex XX of the Lomé IV Convention and has been proposed to the European Development Fund Committee. It will identify factors that inhibit the effective use of the provisions, support actions that address trade policy issues, and provide assistance in dealing with production, distribution, and marketing difficulties. It will also provide market information to ACP exporters from its Brussels focal point.

For the two-year pilot phase of the project, twenty countries have been targeted for support to increase their exports through technical assistance, institutional development, and training. Early commitment is needed by both the EU and the ACP that this phase will be extended to the other 50 countries.The project is expected to start in the Autumn of this year and will be based in Brussels. If working properly it will be a good way of stimulating the use of the Lomé trade provisions, although there is some fear that its establishment in Brussels will not reach out enough to the ACP utiliser of the provisions.

The Trade Development Project will supplement the liaison and development work which the Centre for the Development of Industry (CDI) is doing exclusively in the manufactures sector[7] and can hopefully stimulate the use of the Centre. The CDI was established in 1977 to support industrial enterprises in the ACP states. This unique Lomé institution particularly encourages joint initiatives by economic operators of the EU and the ACP countries, and has a vocation for encouraging small-scale enterprises in the manufacturing sector of ACP countries.

4.2 Compensation and the Lomé IV mid-term review

Despite the relatively small losses from preference erosion, the ACP countries have asked the European Union, for compensation within the framework of the Lomé Convention for the expected export trade losses they expect to incur as a result of preference erosion leading to trade diversion. Although in the EU market the erosion effect is particularly significant (though even here it could be outweighed by other factors), outcries for compensation have not been accepted.

The EU, under severe pressure of not only the international trading environment but also of domestic producers, some of them also hit by the liberalisation, has been reluctant to offer any compensation. The general feeling about compensation for preference erosion is that it does not fit in the idealogy of trade liberalisation that has ruled the UR. There has always been an explicit GATT obligation to compensate outsiders for erosion of MFN, for example because of the formation or extension of a regional trading area which requires some countries to raise external tariffs to a common level. However, there is no compensation foreseen for loss of a relative advantage (if the external tariff stays the same, but the tariff among members falls).[8] Preferences are simply concessions given unilaterally by industrialised countries. The EU is under increasing pressure from the international community to adapt the Lomé Convention to the changed global trade environment and to the momentum of liberalisation. It is in particular reluctant for changes to the Convention because all changes, however small, need to be notified to the WTO, and although the Union has a waiver for the Lomé Convention until 2000, this has to be reviewed biannually and there are fears that

[7] See *Industrial Development in the ACP Countries: Stocktaking and Prospects*. Economic and Social Committee of the European Communities, Brussels 1994.

[8] The only form of compensation which is mentioned in the UR agreement is related to the increased costs of food imports in the "Decision on measures concerning the possible negative effects of the reform program on least developed and net-food importing developing countries". Although barely applicable to this present study on manufacturing trade, this does have strong relevance for the ACP states' trade overall

changes might launch new problems comparable to the banana dispute.

However, when the fourth Lomé Convention was signed in 1989, recognition was given of changes the EU might agree to in the UR, which were then still uncertain, that would negatively affect the Lomé countries. Concerns of the ACP states about the impact of trade liberalisation on their preferences and trade with the EU led the negotiators at that time to agree to the inclusion of Annex XXVII and Annex XXIX in the Convention. The first provides for the possibility of renegotiating ACP preferences on agricultural exports to the EU, should they prove to be adversely affected as a result of the outcome of the Uruguay Round. Annex XXIX is a joint declaration on general trade liberalisation, indicating the European Union's awareness of the need to ensure the maintenance of the ACP states' competitive position in the EU market[9]. How this should be done was left open.

When the mid-term review fell due, however, in February 1994, the EU did not wish to include the trade provisions of the Convention, in any new negotiations, considering them sufficiently favourable. The EU took the position that 'the erosion of preferences cannot be avoided or compensated by further concessions', while the ACP states insisted that the EU should provide support for countries that have suffered directly from preference erosion. The issues, outside the special product protocols, the ACP countries argued for were: better access for agricultural exports from ACP countries, improvements in rules of origin, although they are already more favourable than those for the EU's GSP scheme, including wider cumulation possibilities.

It took the EU almost a year to come with their own proposals on the trade provisions due to the difficulties of agreeing to extra concessions among the EU member states themselves. Protectionist feelings within the EU wanted to resist all improvements until the end of the negotiations on the last day of the French Presidency, 30 June 1995. In the end, some concessions were agreed as a trade-off with the rather disappointing size of the EDF aid budget which was reduced in real terms compared to the previous EDF.

Concerning exports of manufactures since they do not face any barrier when entering the EU market, the final deal on rules of origin is of most importance. The value of non-originating (ACP or EU) material has been increased from 10% to 15% (the ACP had negotiated for an increase in the value tolerance to 20%). This means that there is slightly more room for manoeuvre on manufacturing products that require inputs not available in the ACP countries but more competitively available in other than EU countries thanks to distance or competitive pricing.

What will however be of more significance, in particular for Caribbean and African countries is the compromise reached on cumulation of inputs. The request of the ACP countries to allow them to source inputs from developing countries that have a preferential arrangement

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[9] 'The Contracting Parties note that the Community is conscious of the need to ensure, in the overall application of the Convention, the maintenance of the competitive position of the ACP States where their advantages on the Community market are affected by measures relating to general trade liberalization. The Community declares its willingness, whenever ACP States bring to its attention any specific case jointly to study specific, appropriate action with a view to safeguarding the interests of the latter.'

with the EU was not fully agreed[10]. Instead the EU argued for an extension of cumulation to those countries that have a free-trade area agreement or a customs union with ACP countries. Although the final decision is somewhere in between, ie the condition for a customs union or FTA has been replaced by an exhaustive list of countries with which cumulation is allowed, it does not turn out to be good for all ACP countries. The lists are established on a regional basis, eg Namibia can not benefit from the extension of the cumulation to Venezuela, and for the Pacific countries the offer is particularly disappointing. It is expected that the extension of cumulation will be most meaningful for the Caribbean that has been given opportunities of cumulation with some more industrialised countries.

Table 4.1 Cumulation opportunities allowed following the mid-term review settlement

ACP Country in:	**Africa**	**Caribbean**	**Pacific**
may cumulate with:	Algeria, Egypt, Libya, Morocco, Tunisia and South Africa	Colombia, Costa Rica, El Salvador, Guatemala, Honduras, Nicaragua, Panama, Venezuela	Nauru

Source: ACP Secretariat

Some items are excluded from this provision, among which some textiles and clothing[11], together with rice and canned tuna. The automatic derogation for rules of origin for the latter has been increased from 2500 to 4000 tonnes, half of what the ACP group had negotiated for.

Other outcomes of negotiations relevant to ACP trade of manufactured products might be those of the negotiating group on commodities, in which the ACP side argued for an increase in funds available for support for diversification in the form of financial and technical assistance in production, marketing, distribution and transport (pmdt). However, with a general decline in real terms of the EDF extra assistance means a reallocation of resources rather than an increase.

In the meantime negotiations have started between the EU and South Africa for a possible inclusion of the latter into the Lomé Convention as 'a qualified member'.

To sum up, whereas the principle of compensation for the erosion of a voluntary concession has not been admitted, ODI's own studies show that the ACP's 'loss' is unlikely to be more than $715m, or 1.3 per cent of their exports. World Bank studies such as Harrold *op cit* put this much lower and even doubt the existence of any net loss. Given the current pressure on national aid budgets, it is likely that any voluntary response from the preference-givers would be in the form of technical assistance to enable developing countries to benefit mor fully from

[10] This was also suggested by ODI in the report on the effects of the EU offers to the UR, which included a negotiation strategy for the mid-term review (ODI, 1994)

[11] This exclusion was only included in the last stage of the negotiations

post-Uruguay Round adjustment, rather than from direct cash compensation. Donors, bilateral and multilateral, are not talking in terms of offering a sum adjacent to $710m nor arguing that cash aid (e.g. Balance-of-Payments import support) is an appropriate form of compensation, and the WTO itself has no funds for such purposes.

4.3 Export diversification...the buzz word for ACP success

Although the preferences, with the help of (albeit reduced) exemption from tariff escalation and improved cumulation opportunities can already give a boost to attempts for diversifying ACP economies into more processed and manufactured exports, experience shows that more needs to be done to stimulate the public and private sector to move away from the traditional exports of raw materials. If shorter-term actions are successful in increasing the utilisation of existing trade provisions, then medium and longer term strategies of ACP states should emphasise successful operation in the global trade environment. The priorities are to improve export efficiency, to enhance the competitiveness of ACP products, and to diversify ACP exports into new products and new markets.

Diversification of ACP exports into non-traditional products is crucial, both because non-traditional exports are subject to higher income elasticities of demand and because, in general, they still face higher MFN tariffs so ACP preferences are still relatively large compared to those in the primary products sectors. In addition, it is important to reorient trade performance from being heavily dependent on the EU market, which is still the case for many African and small Caribbean ACP countries, towards other markets. In general it is essential for ACP countries to become less reliant on preferences as they will clearly be further eroded; a more market-oriented approach to exporting could also strengthen their competitiveness.

Several initiatives are important for achieving progress in this area. First of all, ACP countries should give more priority to trade development. A more appropriate and enabling trade environment is needed in each country. This requires both physical arrangements, such as improved infrastructure and the establishment of an effective trade promotion organisation, as well as changes at the policy level. These include commitment to more outward-looking trade policies and increased involvement of the private sector in the formulation of trade policies. In some countries such as Jamaica, the private sector already has a relatively close relationship with government, and it plays a significant role in identifying the needs for a good business environment. Here, ACP states can also learn some lessons from the "East Asian Miracle" and integrate private concerns into public policies.

While integrating the business community into trade policy decision-making would already have a positive effect on private investment in ACP States, more can be done to attract foreign and domestic investors. Appropriate policies, such as fiscal incentives to attract investors, and a good institutional framework to deal with foreign direct investment are needed. Here, useful lessons can be learned from the way that Mauritius successfully attracted Asian investors.

However, it has to be recognised that political and economic stability in ACP States is essential in attracting this investment. In countries where a favourable investment climate is already present, fiscal incentives could encourage foreign direct investment by Western companies in the ACP States or introduce special projects, that stimulate joint ventures between ACP and European investors, such as exist within the ECIP (European Community Investment Partners) initiative for the Asian, Latin American and Mediterranean countries, in order to increase the involvement of private companies in developed countries and improve the transfer of production technology and marketing know how.

In the efforts of the ACP States to diversify their exports, increase capacities and improve marketing, distribution and transport in order to make ACP production more competitive, the industrialised countries can make a significant contribution. The ACP States should insist on more technical assistance in support of their diversification process and the promotion of trade-marketing awareness and export-oriented production. This can help them to identify emerging export opportunities for processed and manufactured products, giving concrete and valuable information about the market for different products. Secondly, it can help ACP exporters to exploit the opportunities through promotion activities and investment in infrastructure, such as air links, to get ACP exports to the foreign markets.

Not only the market opportunities but also the requirements of various markets, such as the phyto-sanitary and other standards, give scope for a donor contribution. The ACP Group should request experts to help their exporters comply with the rules by increasing awareness and by technical assistance.

Finally, it is very important for the ACP group to be part of the global thinking on international trade. Particularly because favourable conditions have been laid down for most of the ACP countries (least developed ones) the joining of the WTO is advisable to strengthen not only the position of individual ACP countries vis-a-vis their main trading partners but also to be more represented as a group. In July only 34 ACP countries had joined the WTO. In addition, their presence in relevant meetings and fora is important.At the moment there are only 12 ACP ambassadors present in Geneva, who cannot adequately represent an ACP view. A strengthening of the trade role of a more efficient ACP Secretariat might be an answer to the representation problem.

4.4 Strategy for individual ACP exporter of manufactures.

For the individual ACP exporter of processed or manufactured goods the above aspects are all relevant and essential to take into account.

First of all they should become more informed about what Lomé can offer them in terms of preferential access and various forms of Europan assistance as offered by the Conventions' institutions, for instance the CDI and make proper use of the trade development project. This would not only improve their ability to benefit from those services but also might encourage governments to pay more attention to these aspects of the Convention and trade in general. Lomé exporters of manufactured products could fully exploit the new opportunities for cumulation, exploring the countries they can now source from and assess whether imports might improve the competitiveness of their products in the EU market.

However, more awareness of the market they produce for is also necessary. The World Bank in a report called optimistically 'Africa can compete!' remarked that the inadequacy to meet the specific requirements such as volume production, product specifications, tight delivery schedules and a lack of products development to meet changes fashions, impede the competitiveness of a majority of ACP (African) exporters. In other words more serious marketing efforts by the exporters and up-to -date market information is essential.

Local chambers of commerce, or projects introduced by the Lomé Convention or UNCTAD, the ITC or UNIDO itself, could support these efforts and supply the exporters with the necessary information. Another option is try to establish strong links with a retailer in the EU or other industrialised countries who could supply marketing know-how and insights into the importing market. Joint ventures with importers, which may be facilitated by fiscal incentives as suggested earlier, could also be useful to overcome this problem. This would also address the difficulties ACP exporters face due to the complexities of retail systems that they are not familiar with.

One pre-condition to embark on those operations would inevitably an increase in the quality control, if not quality standards, for processed agricultural products and for industrial exports. The building up of a reputation of reliable export products of an accepted quality standard would stimulate importers to start and continue relations with exporters. In addition, management capacities needed for running competitive companies should not be underestimated.

The final point that should be made is that, as argued above, although the EU market access concessions are still favourable, exporters should not stare blindly at their preferences but exploit their comparative advantage, not only in the EU market but certainly also in other markets which have growing demands. An interesting example is the US Afro-American market; an obvious one, volume-wise, is the rapidly growing Asian market.

5. Lomé in the international trading environment

5.1 Inconsistencies between Lomé preferences and the GATT/WTO

The long term future of all preferences is uncertain in the current international trading environment of global liberalisation. Multilateral trade liberalisation through widespread, if not universal, most-favoured nation (mfn) treatment, is the basis of successive GATT Rounds, culminating in the Uruguay Round and the creation of the World Trade Organisation. A trade regime which grants either generalised or special preferences to a sub-group of trading nations necessarily lives uneasily with this. The European Union-ACP Lomé Convention is perhaps the exemplar of the more discriminatory approach embodied here, and it is reasonable to suppose that there may be at the very least a clash of trade policy cultures, if no an actual clash of trade laws, when the two principles collide.

However, it must be noted that in the twenty years since the first Lomé Convention was signed, the issue of compliance between special preferences and the mfn principle has hardly been raised. this is because there has been a tacit acceptance that the ACP states' trading position was broadly non-threatening and that some EU Member States should continue to be allowed to discharge some of their post-colonial obligations in this way if they so desired. Indeed, until the concluding stages of the GATT Uruguay Round, the issue of seeking a waiver for the Lomé trade preferences had never been formally raised - whereas a waiver had been sought, and obtained, for *generalised* preferences (GSP schemes) after 1970. Nor was it the concerns about manufactured products which triggered off the need to seek a waiver for the EU/ACP trade preferences in the end: the sticking-point was the EU's discriminatory (and arguably internally inconsistent) banana preference regime.

Be that as it may, and notwithstanding the possibility that the single issue of the banana regime may be raised subsequently again by the USA and/or Latin American banana exporting states, the EU and the ACP have sought, and obtained by the GATT decision of 9 December 1994, a waiver from the mfn principle which takes them up to 29 February 2000 (by which time the fourth Lomé convention will expire).

The present waiver which is going to be reviewed bi-annually until 2000 applies to preferential treatment accorded on "products originating in ACP States as required by the relevant provisions of the Fourth Lomé convention" - for the rules of origin, see 1.1 above. At the time of agreeing the waiver, fifty of the seventy ACP States were GATT contracting parties, as were all twelve EU Member States and the further three which joined the EU on 1 January 1995.

Elements which for the purposes of this study, could possibly be envisaged as threatening to disturb the arrangement at review moments before 2000 are (a) if the Republic of South Africa were to be admitted as a ACP state with full trade privileges (b) the slow-burning banana issue could be raised again and (c) the broader and stronger mandate of the WTO, as opposed to the GATT, and especially its (formally) stronger trade disputes settlement procedures could mean that with the abolition of the one-country veto (which applied under the GATT), individual preferences within the Lomé Convention arrangements could be declared illegal and so subject to compensation.

On the other hand, it must be observed that in countervailing fashion to the multilateral trade liberalisation effort, the mid-1990s have seen a strengthening of regional trade and economic groupings (NAFTA, MERCOSUR, even APEC) which, although more reciprocal in nature that the EU-ACP arrangements, still echo the exclusive and hence discriminatory nature of the Lomé Convention despite the latter's roots being in the 1970s (if not in the colonial 1950s and post-colonial 1960s). In other words, there is a new tendency towards free trade zones which only slightly reflects the older ACP arrangements but which is not strictly compatible with the universalising of the mfn principle.

Two of the above three outstanding issues do give some minor concerns. There are currently EU moves to give South Africa "qualified" Lomé Convention/ACP membership. The actual risk of disruption depends on the final EU offer. The current (July 1995) European Commission proposal probably goes too far, for WTO compatibility purposes, by extending some special preferences and aiming for a free trade arrangement with South Africa over the longer term, as well as allowing South African firms to tender for EDF projects (effectively under restrictive public procurement in ACP countries) and for all (not just SACU) ACP states to cumulate with South Africa for rules-of-origin purposes. This moves to the heart of the waiver accorded in December 1994. (Moreover since then, the EU and ACP have agreed to extend the countries the ACP can cumulate with on a regional basis too: African ACP states with Egypt, Libya, Algeria, Tunisia and Morocco; the ACP Caribbean with Venezuela and Colombia, plus the Central American states *excluding Mexico*; and the Pacific just with Nauru).

The second issue, the discriminatory banana regime, will almost certainly be raised in the WTO on some occasion before 2000.[12] Objections to it have been raised already by Guatemala which did not accept the EU's compromise after, and the US has threatened legal action against the EU under section 301 of US trade law after pressure from US multinationals trading in bananas. Furthermore, at least one EU Member State, Germany, may further challenge the validity of the banana regime in the European Court, although an earlier challenge was ruled out in early 1995.

However it is on the general area of compliance with good trading practice where there may still be friction in the period to 2000. The Trade Policy Review mechanism is the WTO means of ensuring compliance, and is the means whereby each contracting party's trade practices are set out and examined; not least their bound obligations. In the sphere of manufactures, 87% of tariffs will now be bound (as opposed to 68% under the GATT) and for many poor countries, and for the ACP, this will be the first time they have been the subject of a trade policy review. (In fact, ACP tariffs will initially tend to be bound at very high levels; only the Southern African countries, members of SACU, have collectively offered to liberalise by lowering their manufacturing tariffs considerably). ACP countries can expect to be reviewed by the TPR Mechanism, and the findings published, about once every six years.

Thus, although the waiver looks secure for the next five years (and a further ACP-exclusive preferential regime unlikely thereafter), there could still be some practical problems of compliance affecting trade in manufactures in the period to 2000. There ought not, however to be friction over investment measures which involve manufactures. Developing countries

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[12] The Caribbean beneficiaries now seem to acknowledge the regime will end in 2000. The St Vincent Prime Minister, James Mitchell, admitted as much in the Financial Times of 13.07.95.

are granted exemption from the TRIMS rules outlawing local content restrictions (under the Balance of Payments strengthening arrangements) for the next five years, and the 48 least-developed countries (including half the ACP countries) for the next seven years.

Some people argue that the limited evidence of the effectiveness of Lomé preferences and the continuing dependency of ACP countries on the European market where they enjoy most preferences proves that preferences are working against the natural law of comparative advantage and are therefore not encouraging economic sustainability in the long run - and should not be sustained.

In addition to this scepticism budgetary constraints and domestic recessionary pressures play against Lomé preferences. Moreover, the weakening of the historical links argument used in defence of protection for the old colonies stimulates debate for more global EU preferences that take more account of the actual level of development than of the past relationship with EU member states.

5.2 The future of Lomé preferences

Discussions about the post Lomé IV (2000) era has already started, even though the mid-term review for the second half of Lomé IV has only just been completed. The difficulties that were faced concluding the Lomé mid-term review, especially concerning the volume of the European Development Fund for the next five years and further concessions on the trade front, have sent a sign to ACP countries that they might need to prepare themselves for a different type of negotiation next time around.

It has already been conceded by senior European Commission sources that the EU will never again be in the position to offer a successor arrangement to Lomé IV with the same exclusivity and discriminatory treatment for the ACP states. This is a view supported by qualified outside observers.

Three scenarios for the successor to Lomé IV can be envisaged. A first option might be that Lomé continues to exist but non-reciprocal preferential treatment will be withdrawn from some more advanced ACP countries(eg Bahamas), arguing that they need to be able to stand on their own feet now and that equal preferential treatment of these countries and some least developed African countries is neither realistic nor fair. This could go as far as reducing the ACP group to African countries; generally the most vulnerable ACP countries and most heavily dependent on the EU for their export revenue.

A second scenario could be to globalise the Lomé Convention, which then would undoubtedly be renamed[13], focusing on the worlds' least developed countries, including some least developed countries outside Africa, eg Bangladesh, Laos etc. This might imply that not all

[13] The revised text of Lomé IV incorporating the outcome of the mid--term review is to be signed - unprecedentedly - not in Lomé but in Port Louis, Mauritius, later in 1995. Some might take this as a sign that the ACP's most dynamic manufacturing exporter was to be rewarded with the kudos of the signing venue - although others would see this as deference to the sub-region which includes the new, albeit 'qualified', ACP member, the Republic of South Africa.

African countries (but only the least developed) would be targeted.

A third scenario might be that the EU sets up Free Trade Areas (FTAs) with ACP countries on a regional basis. This would be in line with the EU perspective on regional integration, and has already been suggested for other developing country areas, eg some of the countries in the Middle East. This however, would be problematic for most regions within the ACP group, as probably apart from the Caribbean, Southern Africa and francophone West (but not Central) Africa, no significant regional integration has taken place so far. The other ACP regions run the risk of developing FTA's that might end up being just bilateral agreements between the individual ACP countries and the EU, which would obviously weaken the partnership which is so characteristic for the Convention and the bargaining power of the ACP countries.

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Annex 1
ACP countries and their entries in the Lomé Convention

Yaoundé I	Yaoundé II	Lomé I	Lomé II	Lomé III	Lomé IV
Burundi	Peoples Republic of Congo	Bahamas	Cape Verde	Angola	Dominican Republic
United Republic of Cameroon	Dahomey	Barbados	Comoros	Antigua and Barbuda	Eritrea
Central African Republic	Mauritius	Botswana	Djibouti	Belize	Haiti
Chad	Zaire	Fiji	Dominica	Mozambique	Namibia
Gabon		Gambia	Kiribati	St Christopher and Nevis	
Côte d'Ivoire		Ghana	Papua New Guinea	St Vincent and the Grenadines	
Madagascar		Grenada	St Lucia	Vanuatu	
Mali		Guyana	Sao Tomé and Principe		
Mauritania		Jamaica	Seychelles		
Niger		Kenya	Solomon Islands		
Rwanda		Lesotho	Suriname		
Senegal		Malawi	Tuvalu		
Somalia		Nigeria	Zimbabwe		
Togo		Sierra Leone			
Upper Volta		Swaziland			
		Tanzania			
		Tonga			
		Trinidad and Tobago			
		Uganda			
		Western Samoa			
		Zambia			
		Equatorial Guinea			
		Ethiopia			
		Guinea-Bissau			
		Liberia			
		Sudan			

Source: The Courier, 1990:27

Annex 2

Table 1: Processed Agricultural Goods

	exports to EU(9)		export growth, av. ann. per-cent				share in EU(9) market, %			
	1992	as % total expts. to EU x 100	1976-1982	1982-1988	1988-1992	1976-1992	1976	1982	1988	1992
Tuna, skipjack, bonito, preserved (CN:160414)										
Senegal	33567	1182.1	19.3	2.7	-8.4	5.6	18.5	22.5	15.0	7.6
Mauritius	15302	176.1	30.2	9.2	9.6	16.8	1.7	3.5	3.3	3.5
Solomon Is.	12196	5237.7	(a)	5.6	39.7	(a)	0.0	1.3	1.0	2.8
Fiji	9153	808.0	52.0	13.6	-9.9	19.6	0.7	3.6	4.4	2.1
Extra-EU	442505	8.3	15.5	9.8	8.7	11.6	100.0	100.0	100.0	100.0
DMEs	1517	0.0	-1.9	-28.7	-18.6	-16.9	38.8	14.6	1.1	0.3
Dev'g c'tries exc. ACP	271490	19.0	22.3	23.3	15.0	20.8	17.4	24.4	48.9	61.4
ACP (66)	167300	78.7	23.0	6.1	1.6	10.9	41.8	60.9	49.6	37.8
ACP preference margin (percent)										
over MFN	24-25									
over GSP	0									
notes	see discussion of rules of origin									
Cocoa paste(CN 1803)										
Cote d'Ivoire	35885	207.6	-1.2	-0.7	7.1	1.0	66.8	51.0	38.8	62.4
Ghana	4111	67.9	-11.1	7.9	-8.8	-3.8	16.6	6.7	8.4	7.1
Cameroon	6203	48.4	11.7	3.9	-14.3	1.7	10.3	16.4	16.4	10.8
Extra-EU	57498	1.1	3.3	3.9	-4.9	1.4	100.0	100.0	100.0	100.0
DMEs	509	0.0	2.1	-4.8	7.8	0.8	1.0	0.9	0.5	0.9
Dev'g c'tries exc. ACP	10715	0.8	63.1	10.7	-17.9	18.8	1.5	23.0	33.6	18.6
ACP (66)	46273	21.8	-0.9	1.4	-0.0	0.2	97.5	76.1	65.9	80.5
ACP preference margin (percent)										
over MFN	12									
over GSP	0									
Cocoa butter (CN: 1804)										
Cote d'Ivoire	51864	300.0	11.8	9.0	4.1	8.8	9.3	12.8	27.2	41.8
Ghana	18474	305.2	-5.0	-5.6	-7.1	-5.8	33.1	17.1	15.3	14.9
Nigeria	8528	16.3	6.8	-5.7	-15.1	-3.8	10.9	11.4	10.1	6.9
Cameroon	3778	29.5	-0.4	-0.9	-23.7	-7.0	8.3	5.7	6.9	3.0
Extra-EU	123996	2.3	6.0	-3.9	-6.5	-0.9	100.0	100.0	100.0	100.0
DMEs	834	0.0	-0.6	-32.4	-14.4	-17.1	11.7	7.9	1.0	0.7
Dev'g c'tries exc. ACP	37967	2.7	14.8	-9.0	-5.3	0.3	25.1	40.5	29.1	30.6
ACP (66)	82698	38.9	1.4	-0.0	-3.8	-0.5	61.7	47.1	59.6	66.7
ACP preference margin (percent)										
over MFN	9									
over GSP	0									

Asparagus, preserved (CN: 200560)

Lesotho	1208	444.3	(a)	15.2	5.2	(a)	0.0	0.4	1.2	0.9
Extra-EU	134910	2.5	2.6	-3.4	13.4	2.9	100.0	100.0	100.0	100.0
DMEs	4840	0.2	-8.3	-2.6	-9.3	-6.5	16.4	8.4	8.8	3.6
Dev'g c'tries exc. ACP	60099	4.2	3.9	-15.6	16.6	-1.1	83.1	89.6	39.8	44.5
ACP (66)	1208	0.6	(a)	15.2	5.2	(a)	0.0	0.4	1.2	0.9
ACP preference margin (percent)										
over MFN	22									
over GSP	20									

Nuts, other than ground, preserved (CN: 200819)

Malawi	417	21.1	-42.4	63.9	1.8	-1.7	13.0	0.1	8.8	3.0
Extra-EU	14107	0.3	25.9	-20.0	33.7	7.9	100.0	100.0	100.0	100.0
DMEs	10679	0.3	27.4	-24.9	52.3	9.3	61.5	65.8	45.0	75.7
Dev'g c'tries exc. ACP	2407	0.2	-0.4	-12.0	52.0	5.7	23.6	5.8	10.2	17.1
ACP (66)	680	0.3	-6.4	-0.5	14.6	0.7	14.4	2.4	8.9	4.8
ACP preference margin (percent)										
over MFN	14-16									
over GSP	0									

Pineapple, preserved (CN: 200820)

Kenya	46738	840.5	15.8	20.1	12.4	10.6	10.3	16.9	15.9	20.2
Swaziland	5882	432.9	23.7	-9.0	-5.6	5.8	2.7	6.4	4.0	2.5
Extra-EU	231714	4.4	6.8	14.8	5.9	6.1	100.0	100.0	100.0	100.0
DMEs	8782	0.3	0.1	-12.3	-26.1	-3.2	16.4	11.1	16.0	3.8
Dev'g c'tries exc. ACP	161291	11.3	12.8	24.7	10.0	10.6	36.0	50.0	59.9	69.6
ACP (66)	52776	24.8	4.0	-5.2	9.4	1.7	56.3	27.7	20.0	22.8
ACP preference margin (percent)										
over MFN	23									
over GSP	0									

Rum (CN: 220840)

Bahamas	36102	1516.1	24.9	-9.0	19.3	9.7	18.2	32.2	17.0	18.5
Jamaica	7785	271.7	1.7	3.2	-2.9	1.1	14.4	7.4	8.3	4.0
Barbados	1542	394.3	24.6	-4.5	12.5	9.9	0.7	1.3	0.9	0.8
Guyana	98988	6568.6	21.0	13.5	40.4	22.6	8.4	12.3	24.2	50.8
Trinidad,Tob	7838	385.5	23.0	5.1	-7.5	8.0	5.1	8.2	10.2	4.0
Extra-EU	194744	3.7	13.6	1.3	16.7	9.6	100.0	100.0	100.0	100.0
DMEs	3730	0.1	22.5	-9.3	21.4	9.2	2.0	3.2	1.6	1.9
Dev'g c'tries exc. ACP	186902	13.1	7.6	23.3	16.1	15.4	41.6	30.1	36.9	17.2
ACP (66)	153482	72.2	16.8	-0.2	24.5	11.9	56.2	66.6	60.8	78.8

ACP preference margin (percent)

over MFN1 ECU/% vol/hl + 5 ECU/litre if in containers <= 2 litres

over GSP ditto

notesTariff-free access to EU for ACP suppliers limited by quota (172 hectol. in 1973)

DMEs: devel'd mkt economies (a) percentage growth meaningless as base figure zero or trivia

Annex 2

Table 2: Industrial Goods

	exports to EU(9)		export growth, av. ann. per-cent				share in EU(9) market, %			
	1992	as % total expts. to EU x 100	1976-1982	1982-1988	1988-1992	1976-1992	1976	1982	1988	1992
Acetic acid (CN: 291521)										
Guinea	371	11.4	(a)	(a)	(a)	(a)	0.0	0.0	0.0	1.2
Extra-EU	31337	0.6	17.9	.14.3	13.1	15.3	100.0	100.0	100.0	100.0
DMEs	26641	0.9	58.5	21.8	16.7	(a)	8.7	51.2	75.0	85.0
Dev'g c'tries exc. ACP	3485	0.2	-13.2	-31.0	278.4	15.0	11.6	1.8	0.1	11.1
ACP (66)	371	0.2	(a)	(a)	(a)	(a)	0.0	0.0	0.0	1.2
ACP preference margin (percent)										
over MFN	16.8									
over GSP	0									
notes	GSP duty-free amount ceiling of 2.315 million tonnes									
Methanol (CN: 290511)										
Trinidad,Tob	10481	515.5	(a)	(a)	-5.7	(a)	0.0	0.0	4.3	4.0
Extra-EU	259529	4.9	15.9	57.5	-4.3	23.9	100.0	100.0	100.0	100.0
DMEs	4192	0.1	22.8	14.6	-24.6	5.9	19.9	28.2	4.2	1.6
Dev'g c'tries exc. ACP	216026	15.1	-10.3	104.6	-0.9	25.3	69.6	15.0	72.2	83.2
ACP (66)	10481	4.9	(a)	(a)	-5.7	(a)	0.0	0.0	4.3	4.0
ACP preference margin (percent)										
over MFN	13									
over GSP	0									
notes	quotas on some GSP beneficiaries (Bahrain, Malaysia, Romania); others have had their quotas reduced									
Cortical hormone derivatives (CN: 293722)										
Bahamas	1152	48.4	23.8	-41.8	-7.0	-13.2	26.5	56.8	12.1	6.2
Extra-EU	18523	0.3	9.0	-24.7	9.9	-4.9	100.0	100.0	100.0	100.0
DMEs	17211	0.6	-0.8	-14.5	11.7	-3.4	71.5	40.5	86.9	92.9
Dev'g c'tries exc. ACP	0	0.0	13.0	-37.3	(a)	(a)	1.8	2.3	0.8	0.0
ACP (66)	1152	0.5	23.8	-41.8	-7.0	-13.2	26.5	56.8	12.1	6.2
ACP preference margin (percent)										
over MFN	6.6									
over GSP	0									

Iron and Steel bars and wires (CN: 7213)

Trinidad.Tob	624	30.7	(a)	-0.0	-45.7	(a)	0.0	2.8	2.7	0.3
Extra-EU	223321	4.2	8.4	0.8	-4.2	2.2	100.0	100.0	100.0	100.0
DMEs	119129	3.9	3.9	2.2	-8.5	0.0	75.6	58.7	64.1	53.3
Dev'g c'tries exc. ACP	25138	1.8	34.4	1.1	-10.2	9.2	3.9	14.3	14.6	11.3
ACP (66)	3190	1.5	204.9	44.5	-18.7	65.6	0.0	0.3	2.8	1.4
ACP preference margin (percent)										
over MFN	4.9									
over GSP	0									
notes	GSP access subject to country quotas and ceilings									

Cyclic amides (CN:29242980)

Benin	1068	157.5	(a)	n.a.	n.a.	(a)	0.0	0.0	n.a.	0.4
Extra-EU	272752	5.1	13.1	n.a.	n.a.	11.1	100.0	100.0	n.a.	100.0
DMEs	244672	7.9	12.2	n.a.	n.a.	10.8	94.4	89.8	n.a.	89.7
Dev'g c'tries exc. ACP	12553	0.9	42.4	n.a.	n.a.	18.6	1.6	6.5	n.a.	4.6
ACP (66)	1068	0.5	(a)	n.a.	n.a.	(a)	0.0	0.0	n.a.	0.4
ACP preference margin (percent)										
over MFN	7.4									
over GSP	0									
notes	imports under GSP subject to the reference base system									

Veneers, etc (CN: 4408)

Cote d'Ivoire	37788	218.6	n.a.	n.a.	8.3	n.a.	n.a.	n.a.	9.5	10.1
Ghana	14297	236.2	n.a.	n.a.	4.8	n.a.	n.a.	n.a.	4.1	3.8
Cameroon	18832	147.0	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	6.0	5.0
Congo	18588	232.3	n.a.	n.a.	3.5	n.a.	n.a.	n.a.	5.6	5.0
Zaire	4755	63.5	n.a.	n.a.	1.3	n.a.	n.a.	n.a.	1.6	1.3
Extra-EU	374844	7.1	n.a.	n.a.	6.6	n.a.	n.a.	n.a.	100.0	100.0
DMEs	242371	7.9	n.a.	n.a.	10.9	n.a.	n.a.	n.a.	55.3	64.7
Dev'g c'tries exc. ACP	25461	1.8	n.a.	n.a.	-11.3	n.a.	n.a.	n.a.	14.1	6.8
ACP (66)	97941	46.1	n.a.	n.a.	4.1	n.a.	n.a.	n.a.	28.8	26.1
ACP preference margin (percent)										
over MFN	4-6									
over GSP	0									

Wood, shaped (CN: 4409)

Cote d'Ivoire	12559	72.7	n.a.	n.a.	12.0	n.a.	n.a.	n.a.	6.2	3.6
Ghana	2636	43.5	n.a.	n.a.	36.8	n.a.	n.a.	n.a.	0.6	0.8
Extra-EU	345412	6.5	n.a.	n.a.	28.0	n.a.	n.a.	n.a.	100.0	100.0
DMEs	160003	5.2	n.a.	n.a.	19.7	n.a.	n.a.	n.a.	60.5	46.3
Dev'g c'tries exc. ACP	148586	10.4	n.a.	n.a.	42.5	n.a.	n.a.	n.a.	28.0	43.0
ACP (66)	17332	8.2	n.a.	n.a.	16.5	n.a.	n.a.	n.a.	7.3	5.0
ACP preference margin (percent)										
over MFN	3-4									
over GSP	0									

Plywood, etc. (CN: 4412)

Gabon	9577	84.7	n.a.	n.a.	-15.8	n.a.	n.a.	n.a.	1.7	0.8
Extra-EU	1196150	22.6	n.a.	n.a.	1.8	n.a.	n.a.	n.a.	100.0	100.0
DMEs	557542	18.1	n.a.	n.a.	3.1	n.a.	n.a.	n.a.	44.3	46.6
Dev'g c'tries exc. ACP	520568	36.5	n.a.	n.a.	0.6	n.a.	n.a.	n.a.	45.7	43.5
ACP (66)	18041	8.5	n.a.	n.a.	-9.6	n.a.	n.a.	n.a.	2.4	1.5
ACP preference margin (percent)										
over MFN	10									
over GSP	0									
notes	Fixed DFAs for Brazil, Indonesia, Malaysia, etc. ceilings for other GSP suppliers									

Cotton yarn (CN: 5206+5207)

Tanzania	6582	373.8	3.4	143.2	25.4	26.5	0.0	0.0	0.3	0.8
Zambia	7525	303.2	(a)	(a)	66.1	(a)	0.0	0.0	0.1	0.9
Zimbabwe	7680	136.6	(a)	(a)	2.5	(a)	0.0	0.0	0.7	0.9
Extra-EU	844589	15.9	4.4	8.0	-4.5	3.6	100.0	100.0	100.0	100.0
DMEs	273677	8.9	1.6	-7.8	-11.2	-1.4	71.7	60.8	43.4	32.4
Dev'g c'tries exc. ACP	503546	35.3	10.4	21.9	-1.4	9.1	26.2	36.6	52.4	59.6
ACP (66)	33650	15.8	14.6	54.2	12.8	17.3	0.5	1.0	2.0	4.0
ACP preference margin (percent)										
over MFN	6									
over GSP	0									

Cotton fabric (CN: 5208..5212)

Cote d'Ivoire	23261	134.6	11.2	11.4	-3.6	6.9	0.9	1.3	1.7	1.5
Benin	1742	256.9	(a)	332.0	390.9	(a)	0.0	0.0	0.0	0.1
Tanzania	1816	103.1	(a)	65.7	-6.9	(a)	0.0	0.0	0.1	0.1
Madagascar	7460	396.5	7.7	-15.2	-14.7	-1.3	1.1	1.3	0.9	0.5
Malawi	3998	202.5	118.0	1.6	-11.0	34.5	0.0	0.3	0.4	0.3
Extra-EU	1583652	29.9	4.7	8.5	-0.5	3.8	100.0	100.0	100.0	100.0
DMEs	739199	24.0	5.0	9.0	-0.9	4.1	45.0	45.9	47.5	46.7
Dev'g c'tries exc. ACP	580548	40.7	1.9	9.5	-0.9	3.0	41.5	35.4	37.3	36.7
ACP (66)	70469	33.2	7.8	15.3	-0.6	6.6	2.9	3.5	4.5	4.4
ACP preference margin (percent)										
over MFN	10									
over GSP	0									

Twine (CN: 5607)

Tanzania	2901	164.7	35.8	-19.2	1.4	6.3	4.4	9.8	5.2	5.3
Extra-EU	54518	1.0	18.6	-5.9	0.6	5.0	100.0	100.0	100.0	100.0
DMEs	29244	0.9	17.6	-7.2	7.9	4.3	59.5	56.6	40.5	53.6
Dev'g c'tries exc. ACP	13758	1.0	18.4	-9.4	-8.9	4.0	29.6	29.3	37.5	25.2
ACP (66)	3642	1.7	30.5	-16.0	3.7	5.8	5.9	10.5	5.9	6.7
ACP preference margin (percent)										
over MFN	10-12									
over GSP	0									

Clothing,knittedor crocheted (CN: 61)

Kenya	12150	218.5	-42.5	602.1	157.6	32.3	0.0	0.0	0.0	0.1
Uganda	605	39.8	(a)	(a)	92.6	(a)	0.0	0.0	0.0	0.0
Tanzania	4161	236.3	28.8	237.7	24.1	49.1	0.0	0.0	0.0	0.0
Madagascar	6623	352.0	(a)	(a)	82.3	40.1	0.0	0.0	0.0	0.1
Mauritius	317974	3658.4	23.2	56.6	12.7	21.0	1.0	1.8	3.8	3.3
Barbados	28	7.2	49.9	-42.1	-56.3	1.5	0.0	0.0	0.0	0.0
Fiji	1442	127.3	(a)	278.8	146.6	(a)	0.0	0.0	0.0	0.0
Extra-EU	9632704	181.7	12.9	33.9	16.7	12.6	100.0	100.0	100.0	100.0
DMEs	2669086	86.5	11.2	25.4	17.4	10.1	39.4	36.0	27.0	27.7
Dev'g c'tries exc. ACP	5421022	379.7	14.6	35.2	13.5	13.5	49.7	54.1	62.9	56.3
ACP (66)	421914	198.5	23.1	-65.0	17.5	22.5	1.1	1.9	4.3	4.4

ACP preference margin (percent)

over MFN 8.9-14

over GSP 0

notes GSP rates subject to a MFA deal with EU and to quotas

Clothing, not knitted nor crocheted (CN 62)

Ethiopia	1516	153.3	8.1	271.0	5.2	42.9	0.0	0.0	0.0	0.0
Madagascar	9713	516.3	-31.2	445.1	69.7	32.8	0.0	0.0	0.0	0.1
Mauritius	143976	1656.5	17.0	65.1	5.4	20.2	0.3	0.4	1.3	0.9
Zimbabwe	20844	370.8	(a)	169.2	21.5	(a)	0.0	0.0	0.1	0.1
Lesotho	13719	5046.2	(a)	177.6	55.0	(a)	0.0	0.0	0.0	0.1
Fiji	1250	110.4	(a)	(a)	(a)	49.5	0.0	0.0	0.0	0.0
Extra-EU	15626251	294.8	11.7	32.4	14.4	11.8	100.0	100.0	100.0	100.0
DMEs	3143155	101.9	9.7	23.7	7.5	9.2	29.4	26.4	25.8	20.1
Dev'g c'tries exc. ACP	7686518	538.4	12.8	25.9	10.8	10.8	56.7	60.2	55.9	49.2
ACP (66)	210005	98.8	13.1	60.9	10.7	17.9	0.6	0.6	1.5	1.3

ACP preference margin (percent)

over MFN 10.5-14

over GSP 0

notes GSP rates subject to a MFA deal with EU and to quotas

Cobalt mattes (CN: 8105)

Zaire	27652	369.3	(a)	2.8	-6.9	ERR	0.0	32.8	39.5	13.9
Tanzania	7546	428.5	(a)	126.1	54.8	ERR	0.0	0.4	1.4	3.8
Zambia	24984	1006.6	125.5	21.2	15.3	42.3	1.7	15.4	15.2	12.6
Extra-EU	198475	3.7	55.5	27.4	20.8	25.4	100.0	100.0	100.0	100.0
DMEs	98056	3.2	39.3	26.6	26.2	20.1	97.9	50.6	41.5	49.4
Dev'g c'tries exc. ACP	859	0.1	42.4	48.8	2.1	26.1	0.4	0.2	0.8	0.4
ACP (66)	60380	28.4	173.4	13.2	3.6	50.4	1.7	48.7	56.2	30.4

ACP preference margin (percent)

over MFN 0

over GSP 0

Watches (CN: 910811)

Mauritius	7881	90.7	(a)	61.6	-24.6	(a)	0.0	1.4	21.5	10.1
Extra-EU	78410	1.5	41.9	-1.0	-8.8	13.8	100.0	100.0	100.0	100.0
DMEs	51158	1.7	38.3	-1.9	-4.9	12.4	79.4	67.8	55.3	65.2
Dev'g c'tries exc. ACP	15893	1.1	52.1	-11.0	-8.3	13.7	20.5	31.0	19.8	20.3
ACP (66)	7888	3.7	(a)	274.7	-24.6	(a)	0.0	1.4	21.6	10.1
ACP preference margin (percent)										
over MFN	6.2									
over GSP	0									
notes	A ceiling on GSP benefiting-imports is imposed									

Furniture, other (CN: 9403)

Ghana	2399	39.6	-24.3	75.7	5.5	3.7	0.5	0.0	0.1	0.1
Swaziland	3542	260.7	(a)	28.0	-6.4	(a)	0.0	0.1	0.3	0.2
Extra-EU	2085400	39.3	23.1	21.3	11.7	13.5	100.0	100.0	100.0	100.0
DMEs	1054807	34.2	24.7	15.7	10.1	12.7	56.5	61.0	53.6	50.6
Dev'g c'tries exc. ACP	424609	29.7	37.2	53.1	22.7	25.2	4.2	8.0	14.0	20.4
ACP (66)	9625	4.5	15.2	29.4	1.9	12.5	0.5	0.4	0.7	0.5
ACP preference margin (percent)										
over MFN	5.6									
over GSP	0									
notes	Ceilings on GSP-benefiting imports of cane and similar furniture									

Sailboats, sea going (CN: 89039110)

Antigua,Bar	556	1274.9	n.a.	(a)	29.8	n.a.	n.a.	0.0	0.1	1.0
Extra-EU	54755	1.0	n.a.	24.1	-20.4	n.a.	n.a.	100.0	100.0	100.0
DMEs	42032	1.4	n.a.	22.4	2.2	n.a.	n.a.	81.1	28.2	76.8
Dev'g c'tries exc. ACP	11793	0.8	n.a.	29.7	-41.0	n.a.	n.a.	18.0	71.2	21.5
ACP (66)	825	0.4	n.a.	65.9	8.9	n.a.	n.a.	0.5	0.4	1.5
ACP preference margin (percent)										
over MFN	0									
over GSP	0									

ANNEX 3: IMPACT OF URUGUAY ROUND ON INDUSTRIAL EXPORTS TO OECD COUNTRIES, EXCLUDING TEXTILES AND CLOTHING, LOSSES IN EXPORT EARNINGS IN MILLION $

OECD	*metals, mins.*	*wood, pulp, paper*	*leather footwear*	*chemicals*	*elect. equip.*	*nonelect. mach.*	*trnspt. equip.*	*other industrial*	*totals* Imports $ mill 1992	*totals* Diversion +creation	*totals* Revenue change
Shares in EU impts.											
ACP	6.3	1.4	0.4	0.9	0.1	0.0	0.1	0.4			
Other DC	38.8	16.1	36.2	11.7	27.0	13.3	5.3	17.1			
Developed	54.9	82.4	63.5	87.4	72.9	86.6	94.6	82.5			
Trade creation	0.5	0.8	1.0	1.9	1.5	1.6	1.2	1.2			
Trade diversion, total	-0.8	-2.0	-2.1	-3.9	-4.1	-3.5	-2.3	-3.2			
in favour of dev'd. c'tries	0.0	-0.4	-0.3	-0.3	-1.3	-2.0	-0.5	-0.9			
Angola	-2.3	0.0	0.0	0.0	0.0	-0.1	-0.1	-0.6	207	-2	-3
Benin	0.0	0.0	0.0	-0.3	0.0	0.0	0.0	0.0	9	0	0
Botswana	-1.3	0.0	0.0	0.0	-0.1	-0.3	0.0	-0.3	119	-1	-2
Burkina-Faso	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	6	0	0
Burundi	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	9	0	0
Cameroon	-1.0	-8.2	0.0	0.0	0.0	-0.1	0.0	-0.5	414	-8	-10
Cent. African Rep.	-1.0	-0.4	0.0	0.0	0.0	0.0	0.0	-0.1	94	-1	-1
Chad	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	2	0	0
Comoros Isl.	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	8	0	0
Congo	-4.2	-3.9	0.0	0.0	0.0	-0.1	0.0	-0.4	502	-6	-9
Djibouti	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	3	0	0
Equatorial Guinea	0.0	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	34	-1	-1
Ethiopia	0.0	0.0	0.0	0.0	0.0	-0.2	0.0	-2.2	59	-2	-2
Gabon	-2.2	-5.8	0.0	-1.6	-0.1	-0.2	0.0	-1.0	470	-8	-11
Gambia	-1.6	0.0	0.0	0.0	0.0	0.0	0.0	-1.3	163	-2	-3
Ghana	-4.0	-3.8	0.0	-0.1	-0.1	-0.1	0.0	-1.0	492	-7	-9
Guinea	-6.0	-0.1	0.0	0.0	0.0	0.0	0.0	-1.4	517	-5	-8
Guinea Bissau	0.0	-0.1	0.0	0.0	0.0	0.0	0.0	-0.1	5	0	0
Ivory Coast	-1.4	-8.6	0.0	0.0	-0.1	-0.1	0.0	-0.8	465	-8	-11
Kenya	-0.2	-0.1	0.0	-0.4	-0.3	-0.3	0.0	-2.7	107	-3	-4
Lesotho	-0.2	0.0	0.0	0.0	0.0	0.0	0.0	0.0	15	0	0
Liberia	-4.4	-1.8	0.0	0.0	0.0	0.0	-6.1	-1.9	701	-11	-14
Madagascar	-0.4	-0.1	0.0	0.0	0.0	0.0	0.0	-3.7	123	-3	-4
Malawi	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.1	6	0	0
Mali	-0.4	0.0	0.0	0.0	-1.1	-0.1	0.0	-0.2	63	-1	-2
Mauritania	-2.5	0.0	0.0	0.0	0.0	0.0	0.0	-7.9	394	-8	-11
Mauritius	-0.4	0.0	-0.2	0.0	-0.1	-0.2	0.0	-3.1	121	-3	-4
Mozambique	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-2.9	79	-2	-3
Niger	0.0	0.0	0.0	-8.0	0.0	-0.1	0.0	-0.2	181	-7	-8
Nigeria	-0.2	-0.5	0.0	-0.2	-0.2	-0.5	-0.1	-7.3	232	-7	-9
Rep. of Cape Verde	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	2	0	0
Rwanda	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	10	0	0
Sao Tome and Principe	0.0	0.0	0.0	0.0	0.0	0.0	0.0	0.0	1	0	0
Senegal	-0.3	0.0	-0.1	0.0	-0.2	-0.2	0.0	-3.0	112	-3	-4

ANNEX 3 CONTINUED

OECD	*metals, min.*	*wood, pulp, paper*	*leather, footwear*	*chemicals*	*elect. equip.*	*nonelect. mach.*	*transport equip*	*other industrial*	*Imports $ mill 1992*	*Totals* *Diversion + creation*	*Revenue change*
Seychelles	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	3	0	0
Sierra Leone	-3.7	0.0	0.0	0.0	0.0	0.0	0.0	-1.1	328	-3	-5
Somalia	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	9	0	0
Sudan	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	-0.5	18	-1	-1
Swaziland	-0.1	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.3	22	-1	-1
Tanzania	-0.5	-0.1	0.0	0.0	0.0	-0.1	0.0	-0.5	61	-1	-1
Togo	-0.8	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	74	-1	-1
Uganda	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.3	9	0	0
Zaire	-10.6	-1.5	0.0	-0.1	0.0	-0.1	0.0	-4.9	1030	-12	-17
Zambia	-7.4	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	596	-5	-8
Zimbabwe	-3.6	0.0	0.0	0.0	-0.2	-0.2	0.0	-1.9	344	-4	-6
Africa	-60.9	-36.1	-0.4	-10.9	-2.9	-3.7	-6.6	-54.4	8222.4	-131.5	-175.8
Antigua	0.0	0.0	0.0	0.0	0.0	-0.1	0.0	0.0	2	0	0
Bahamas	-0.4	0.0	0.0	-19.2	0.0	-0.3	-4.7	-7.2	807	-26	-32
Barbados	0.0	0.0	0.0	0.0	-1.2	-0.1	0.0	-0.5	38	-1	-2
Belize	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.6	15	0	-1
Dominica	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	6	0	0
Dominican Republic	-3.3	-0.1	-6.4	-0.2	-9.1	-0.6	0.0	-14.7	1065	-27	-34
Grenada	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.2	6	0	0
Guyana	-1.4	-0.1	0.0	-0.1	0.0	0.0	0.0	-0.8	137	-2	-2
Haiti	0.0	0.0	-0.1	0.0	-0.4	0.0	0.0	-1.5	48	-2	-2
Jamaica	-1.9	-0.1	-0.1	-0.6	-0.2	-0.1	0.0	-16.3	575	-15	-19
St. Lucia	0.0	0.0	0.0	0.0	-0.5	0.0	0.0	-0.2	13	0	-1
St. Vincent	0.0	0.0	0.0	0.0	0.0	0.0	-0.4	-0.1	18	0	-1
Surinam	-0.5	0.0	0.0	0.0	0.0	0.0	0.0	-11.8	325	-9	-12
Trinidad And Tobago	0.0	0.0	0.0	-7.7	-0.1	-0.5	0.0	-5.3	311	-11	-14
Caribbean	-7.5	-0.3	-6.5	-27.9	-11.6	-1.7	-5.2	-59.3	3366.3	-95.1	-120.0
Fiji	0.0	-0.7	-0.2	0.0	-0.1	0.0	0.0	-1.0	62	-2	-2
Papua-New Guinea	-4.2	-4.0	0.0	0.0	0.0	-0.1	0.0	-0.8	515	-7	-9
Solomon Islands	0.0	-1.0	0.0	0.0	0.0	0.0	0.0	-0.4	49	-1	-1
Tonga	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	3	0	0
Vanuatu	0.0	0.0	0.0	0.0	0.0	0.0	0.0	-0.1	5	0	0
Western Samoa	0.0	0.0	0.0	0.0	-1.3	0.0	0.0	0.0	25	-1	-1
Pacific	-4.3	-5.8	-0.2	0.0	-1.4	-0.1	0.0	-2.4	659.3	-10.6	-14.2
ACP (65)	-78.7	-42.3	-7.2	-39.0	-15.9	-5.5	-12.1	-116.3	12766	-242	-317

ACP (65) excludes ACP countries: Namibia, St Kitts, Kiribati and Tuvalu due to lack of data

Annex 4:
Summary of Quantitive Effects of the Uruguay Round on ACP Export Earnings

	Revenue Change following the Uruguay Round in million $		*Revenue Change as % total of ACP exports*		*Potential gains from increase in world income*		*Net effects of GATT UR on ACP states as % of their exports to world*	
	Ind	*Total*	*Ind*	*Total World*	*dem eL=1*	*dem eL=3*	*dem eL=1*	*dem eL=3*
Angola	-3.1	-14.3	-0.08	-0.36	42.11	126.32	0.69	2.79
Benin	-0.4	-2.7	-0.37	-2.44	1.17	3.50	-1.39	0.71
Botswana	-2.0	-15.0	-0.11	-0.86	18.29	54.87	0.19	2.29
Burkina-Faso	-0.2	-2.5	-0.15	-1.62	1.65	4.95	-0.57	1.53
Burundi	-0.3	-3.5	-0.35	-4.93	0.76	2.27	-3.88	-1.78
Cameroon	-9.9	-23.0	-0.55	-1.27	19.06	57.17	-0.22	1.88
Cent. African Rep.	-1.4	-2.5	-1.21	-2.10	1.25	3.75	-1.05	1.05
Chad	-0.1	-0.7	-0.04	-0.37	2.04	6.11	0.68	2.78
Comorus Isl.	-0.3	-1.8	-1.05	-5.82	0.33	0.98	-4.77	-2.67
Congo	-8.7	-11.8	-0.59	-0.80	15.51	46.53	0.25	2.35
Cote d'Ivoire	-11.0	-51.8	-0.18	-0.83	65.31	195.93	0.22	2.32
Djibouti	-0.1	-2.9	-0.69	-17.17	0.18	0.54	-16.12	-14.02
Equatorial Guinea	-0.8	-1.3	-2.17	-3.23	0.41	1.23	-2.18	-0.08
Ethiopia	-2.5	-9.9	-1.45	-5.84	1.77	5.32	-4.79	-2.69
Gabon	-11.0	-14.4	-0.43	-0.56	26.88	80.64	0.49	2.59
Gambia	-3.0	-5.1	-7.06	-12.18	0.44	1.32	-11.13	-9.03
Ghana	-9.0	-20.9	-0.80	-1.87	11.76	35.28	-0.82	1.28
Guinea	-7.5	-11.0	-1.17	-1.71	6.75	20.25	-0.66	1.44
Guinea Bissau	-0.2	-0.8	-3.25	-12.50	0.06	0.19	-11.45	-9.35
Kenya	-4.0	-28.2	-0.30	-2.11	14.06	42.18	-1.06	1.04
Lesotho	-0.2	-2.5	-0.23	-2.53	1.02	3.06	-1.48	0.62
Liberia	-14.3	-16.9	-1.73	-2.05	8.68	26.05	-1.00	1.10
Madagascar	-4.2	-11.8	-1.37	-3.87	3.20	9.61	-2.82	-0.72
Malawi	-0.3	-19.9	-0.07	-5.19	4.02	12.06	-4.14	-2.04
Mali	-1.8	-4.9	-0.57	-1.54	3.37	10.11	-0.49	1.61
Mauritania	-10.5	-14.3	-1.90	-2.59	5.80	17.39	-1.54	0.56
Mauritius	-4.0	-33.5	-0.31	-2.60	13.57	40.70	-1.55	0.55
Mozambique	-3.1	-7.8	-2.25	-5.59	1.46	4.38	-4.54	-2.44
Namibia		-0.5	0.00	-0.04	13.52	40.57	1.01	3.11
Niger	-8.3	-10.3	-3.77	-4.66	2.31	6.93	-3.61	-1.51
Nigeria	-8.9	-32.1	-0.07	-0.27	124.80	374.41	0.78	2.88
Rep. of Cape Verde	-0.1	-2.6	-0.75	-19.84	0.14	0.41	-18.79	-16.69
Rwanda	-0.3	-4.2	-0.35	-4.39	1.01	3.02	-3.34	-1.24
Sao Tome and Prin.	-0.1	-0.2	-0.19	-0.73	0.28	0.85	0.32	2.42
Senegal	-3.9	-15.1	-0.59	-2.30	6.92	20.76	-1.25	0.85
Seychelles	-0.1	-2.1	-0.29	-4.87	0.46	1.39	-3.82	-1.72
Sierra Leone	-4.9	-7.5	-3.30	-5.00	1.56	4.69	-3.95	-1.85
Somalia	-0.4	-2.2	-0.32	-1.87	1.24	3.72	-0.82	1.28
Sudan	-0.7	-3.9	-0.21	-1.10	3.73	11.18	-0.05	2.05
Swaziland	-0.7	-3.7	-0.18	-1.00	3.85	11.56	0.05	2.15
Tanzania	-1.3	-8.6	-0.30	-1.96	4.59	13.77	-0.91	1.19
Togo	-1.1	-3.5	-0.40	-1.27	2.91	8.73	-0.22	1.88
Uganda	-0.4	-8.1	-0.27	-5.68	1.49	4.47	-4.63	-2.53
Zaire	-17.2	-28.0	-4.14	-6.72	4.37	13.10	-5.67	-3.57
Zambia	-7.6	-8.8	-1.00	-1.17	7.94	23.81	-0.12	1.98
Zimbabwe	-5.9	-28.3	-0.36	-1.72	17.22	51.66	-0.67	1.43

	Revenue Change following the Uruguay Round in million $		*Revenue Change as % total of ACP exports*		*Potential gains from increase in world income*		*Net effects of GATT UR on ACP states as % of their exports to world*	
	Ind	*Total*	*Ind*	*Total World*	*dem el.=1*	*dem el.=3*	*dem el.=1*	*dem el.=3*
Africa	**-175.8**	**-505.3**	**-0.39**	**-1.13**	**469.23**	**1407.70**	**-0.08**	**2.02**
Antigua	-0.1	-1.4	-0.21	-4.31	0.34	1.01	-3.26	-1.16
Bahamas	-31.9	-39.7	-2.95	-3.68	11.33	33.99	-2.63	-0.53
Barbados	-1.8	-7.0	-0.95	-3.64	2.01	6.02	-2.59	-0.49
Belize (Br.Honduras)	-0.6	-3.1	-0.53	-2.70	1.22	3.65	-1.65	0.45
Dominica	-0.2	1.0	-0.43	1.87	0.59	1.76	2.92	5.02
Dominican Republic	-34.3	-40.4	-6.07	-7.13	5.94	17.83	-6.08	-3.98
Grenada	-0.3	-1.2	-1.27	-6.24	0.21	0.63	-5.19	-3.09
Guyana	-2.5	-13.0	-0.81	-4.30	3.17	9.51	-3.25	-1.15
Haiti	-2.0	-8.4	-1.31	-5.59	1.59	4.76	-4.54	-2.44
Jamaica	-19.3	-34.3	-1.75	-3.11	11.57	34.71	-2.06	0.04
St. Lucia	-0.6	1.3	-0.52	1.07	1.29	3.87	2.12	4.22
St. Vincent	-0.5	2.6	-0.63	3.17	0.87	2.61	4.22	6.32
Surinam	-12.3	-15.7	-2.93	-3.75	4.40	13.20	-2.70	-0.60
Trinidad And Tobago	-13.6	-23.9	-0.73	-1.28	19.62	58.87	-0.23	1.87
Caribbean	**-120.0**	**-183.1**	**-1.96**	-3.00	**64.14**	**192.43**	**-1.95**	**0.15**
Fiji	-2.0	-5.7	-0.49	-1.39	4.27	12.82	-0.34	1.76
Papua-New Guinea	-9.1	-15.5	-0.51	-0.86	19.01	57.02	0.19	2.29
Solomon Islands	-1.4	-1.7	-1.24	-1.53	1.20	3.59	-0.48	1.62
Tonga	-0.1	-0.4	-1.06	-3.02	0.13	0.38	-1.97	0.13
Vanuatu	-0.2	-0.1	-0.54	-0.33	0.35	1.04	0.72	2.82
Western Samoa	-1.3	-1.7	-9.52	-11.79	0.15	0.44	-10.74	-8.64
Pacific	**-14.2**	**-25.0**	**-0.59**	-1.05	**25.10**	**75.29**	**0.00**	**2.10**
ACP (66)	**-310.1**	**-713.4**	**-0.58**	-1.34	**558.47**	**1675.42**	-0.29	**1.81**

Note: dem el _ demand elasticity (see section 3.4)